Microinsurance Innovation Facility

The MicroInsurance Centre (John Wipf and Kathy Woodliff, with Barbara Magnoni on Research and Dissemination)

An evaluation of the ILO's Microinsurance Innovation Facility for the Bill and Melinda Gates Foundation

Contact Michael J. McCord

18 May 2010

Executive Summary

The ILO Microinsurance Innovation Facility was established in 2008 to support the extension of insurance to millions of low-income people in the developing world, with the aim of reducing their vulnerability to risk.

This evaluation report sets out to determine how successfully the Microinsurance Innovation Facility (the Facility) has been reaching its own objectives as well as those of the Bill and Melinda Gates Foundation (the foundation).

The evaluation team did not set out to report to the foundation what it already knew or to reiterate the numerous accomplishments of the Facility, but to assess the extent that the Facility's objectives and the foundation's own objectives are being carried out. This report is also intended to help the foundation to review its approach to microinsurance as a whole.

Facility Objectives

The primary objective of the Facility is to increase the availability of better insurance products for a greater number of low-income households.

To do this, the Facility needs to learn:

- To what extent insurance products can help low-income people to ***manage risk***
- What insurance ***products*** are ***appropriate*** and ***how to provide*** them
- How to develop an ***insurance culture*** among the poor

These objectives call for activities aimed at stimulating the market – activities that support the development of insurance products, emergence of innovative institutional models and partnerships, and education of potential consumers on the utility and value of insurance.

Summary of Overall Assessment

The Facility was established in 2008 with Craig Churchill, currently Team Leader, as its only staff. Almost immediately Innovation Grant Round One (R-1) was announced. This was done to allow the Facility to meet its first milestones – requirements for additional funding, as well as in response to the urgent needs of the microinsurance community.

Exceptional staff were hired to manage key areas – grants management, technical assistance, communications and research. A senior administrator was hired at the same time to help facilitate navigating the ILO bureaucracy. The new staff were in place when the first round of proposals arrived at the Facility, and they were able to rapidly evaluate grant requests and structure their initial grant portfolio. This approach, one of continuous learning while setting up the programme, was a strategy that has been followed by the Facility ever since. It defines the Facility's management style, and explains much of why there has been clear, active, and rapid evolution of the Facility's procedures, policies and strategies.

The strategy of continuous improvement has been effectively implemented through the various grant rounds. It has been the approach of the Facility's Technical Assistance Programme (now called the Consulting and Capacity Building Programme or CCB) as well as the Innovation Grants and Research Programmes and has led to continuous improvements in program implementation.

The initial push to provide round one innovation grants relatively soon after startup had its advantages and disadvantages. It showed that the Facility was serious about the need for innovation in microinsurance, and serious about addressing the needs of the microinsurance community. However the speed of the startup also meant less time for defining and capturing data for key performance indicators and lessons of grantees. In retrospect, it is clear that if there had been a longer initial setup time, the complexities of contracting, process development and staff development could have been more effectively addressed. Contracting, staffing, and processes have improved dramatically since round one (and round two, which followed almost immediately), but the first rounds provide the most important lessons. A few more months in preparing the initial round might have advanced the starting point of the continuous improvement model significantly, resulting in a higher level of lessons learned.

Microinsurance is generally more complex than microfinance. Because its benefits are less tangible, its processes of development, pricing, selling, collecting premiums and education tend to be more challenging. Microinsurers have to handle large volumes of small policies, verify and pay small claims, and deal with adverse selection and other risks in environments where risk data is typically nonexistent. The Facility's plan for growth through sub-grantees was reasonable in principle, but it was developed without the benefit of significant grant-making experience, and given the complexity of the industry, the result was over-ambitious assumptions and timelines.

While there is nothing inherently wrong with ambitious assumptions: they may even help push an organization to greater heights if applied to internal benchmarks. But external benchmarks or milestones should be achievable within the timeframes established. The Facility was unrealistic in the time it expected microinsurance products to reach scale and sustainability. Perhaps working in conjunction with an experienced grants manager would have mitigated those issues. However, even with a good grants manager, microinsurance expectations are commonly over optimistic, as there is not yet sufficient understanding of how long it takes for microinsurance to develop and grow in a market.[1]

The combination of these complexities with the launch of the Facility from zero base has meant that a five-year time horizon is too short to generate relevant outcome lessons. We recommend that the Facility look at ways to extend its time horizon through additional funding from non-foundation funders in order to realize the full potential of the learnings that were envisioned at the start of the project. The Facility understands this, and is currently working on such funding and continuation plans.

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[1] See the paper on microinsurance expectations that was developed as part of this overall MI evaluation for a further discussion on this issue.

The Facility has accomplished an amazing range of achievements. It has been able to achieve significant global reach in a relatively short period of time. Innovation grants, capacity building (CCB) and research all continue to develop and there are initiatives and recommendations for further growth.

We can point to four positive aspects that make the Facility distinctive:

1. The Facility is an effective grant-making organization, and its current grant process is well thought out and articulated. The feedback from grantees is positive regarding staff responsiveness, openness, transparency and flexibility – indicating that the Facility really does take a consultative and communicative approach to grant making. While there are some shortcomings (discussed in detail later), overall experiences have been positive.

2. The Facility has done a great job of sourcing and hiring top-notch professionals who are motivated, dedicated and committed. They have done "whatever it takes" to get the job done, which has included working through the maze of bureaucracy at the ILO, and coping with the major impact of the death of a team member while on mission.

3. In just two years the Facility has done an incredible job of supporting efforts to create viable microinsurance products and encourage the demand for them (this is obvious even without quantifiable data).

4. The Facility has done a good job of building effective partnerships with outside organizations. Relationships have been developed with business, government, NGOs, donors, and academic institutions to the point where, to varying degrees, these sectors all look to the Facility for guidance, assistance, and knowledge on microinsurance. The Facility has effectively leveraged these relationships to bring groups together through its grants, CCB unit, communications and research units. One could say that the Facility's brand has become a focal point for microinsurance and a catalyst for microinsurance ideas and actions.

From the foundation's point of view, the key objective of the Facility was the generating of lessons with which to understand microinsurance benefits and processes. Because of the too rapid start we believe that two key issues went unaddressed early on in the programme, which might have been avoided with a more controlled startup.

1. Even though R-1 started before staff was hired, the Facility should have put a better framework in place to define and capture data from grantees as soon as they were selected. Over-ambitious milestones and other objectives made the Facility give higher priority to distributing grants than to creating structures for data and lessons. But with data and lessons being the foundation's priority, the Facility should have initially negotiated for more time to put the appropriate structures in place. For its part, the foundation should have ensured that the Facility had the time to properly structure the grants to generate the desired lessons.

2. The Facility should have realized that many grantee organizations would not have the capability to develop research protocols for learnings. Indeed, many potential grantees do not even have any real interest in learning lessons that may be important to the stakeholder public. The Facility should have had proper research resources in place when planning R-1 to set up effective processes and frameworks to generate appropriate lessons. It should have hired knowledge management staff to work with the research manager and structure a process to extract lessons, and package them in relevant ways, given that this was a key priority of the foundation's grant.[2]

We have identified five issues that require the urgent attention of the Facility:

1. Take a critical look at the outcomes it hopes to achieve by the end of 2012 and set new staffing needs and budget reallocations in conjunction with the foundation. The Facility may have to drop some of its plans in order to focus its time and energy. It may have to decide that additional rounds of grants will not help achieve its objectives, and devote its remaining time and focus to capturing key performance indicators (KPIs) and learnings to package the lessons.

2. Address staffing issues. Staff burnout has become a critical issue and needs to be addressed immediately.[3]

3. Apply better leverage and replication of products, processes and knowledge across a global platform using Facility grantees with a global presence. The Facility has started this work with the CIRM in India and the Microfund for Women project in Jordan, but it could work with other regional and global grantees by providing a package of support and tools with a greater catalytic effect. Multinational microinsurance organizations may prove more effective than domestic programs in moving lessons as catalysts across the globe. The Facility's efforts to create regional hubs of microinsurance excellence will promote this approach. They should leverage the network of grantees to have a similar impact.

4. Start strategizing for the short-term, the mid-term (to 2012, the end of the foundation grant) and longer-term beyond 2012, and start putting the building blocks for this strategy in place now.

5. Conduct an assessment of new grants and the existing grants portfolio to determine how grantees will fit into the learning agenda and how lessons can be effectively extracted.

2[2] Facility management believe they would not have been able to effectively use a knowledge manager from the start and thus they disagree with us on this issue. They suggest a better timing would have been to hire the knowledge manager after the programme had been operational for 18 months and three rounds of innovation grants had been completed.

[3] Burnout refers to a lack of clarity on roles, priorities, and accountability as well as a lack of a clear link between personal inputs and institutional objectives. Burnout leads to a lack of focus, productivity losses, and reduced morale.

Management, Staff and the ILO

The Facility has high-quality and motivated staff members, but they are experiencing burnout and low morale. This has to be addressed. The Team Leader is an excellent visionary and thought leader, but needs support to focus on what should be accomplished and deal with operational issues. He too is spread too thin. The staff pressure is currently being addressed by the promotion of Jeanna Holtz from Grant Manager to Chief Project Manager, but there is no clear transition plan or timing of offloading her current responsibilities – it is happening in an as yet undefined step-by-step process. In the first phase two grants officers will take on some of Jeanna's grant manager responsibilities.

At the same time Craig, the Team Leader, fully expects to retain some of his role in the leadership of the Facility. This ambiguous situation needs to be resolved. A first step might be to move Jeanna to a Chief Operating Officer[4]-type position in which she oversees day to day operations and changing Craig's role to more of a CEO-type position in which he focuses on strategy and external relations.

Staff currently act in multiple roles as grant makers, grant managers, technical assistance providers, researchers, and overseers of sub-grants. This array of roles is not appropriate to their skills and responsibilities, and is potentially confusing to sub-grantees. Managers of functional areas (CCB, communications and research) also act as grant managers with regional and technical responsibilities. This situation should be revised to allow managers to manage their functions and improve effectiveness.

While being part of the ILO was an initial advantage when the Facility was formed, and continues to provide some key benefits to the Facility, it also brings with it the baggage of an ingrained bureaucratic culture, complex organizational politics, and administrative hurdles. On balance this seems more of an impediment to the Facility than a help. A more limited relationship with the ILO that allows the Facility greater flexibility in its operations could be beneficial for both the Facility and the ILO. It could retain many of the advantages of being part of the ILO while limiting the disadvantages. The ability and willingness of the ILO to shift to such an arrangement would need to be assessed and no change should be made during the period of the grant.

Innovation Grants

The Innovation Grants Programme is the backbone of the Facility, where most of its time, energy and resources have been devoted. It has been developed and improved by the Facility as it learned about what worked well and what needed to change. The goal of the programme was to fund as many diverse experiments across various geographic regions as it could find, via grantees who had the capabilities to execute their plans. As the grants process evolved, the Facility provided extra support and tools to organizations

[4] The focus of a COO is operations management, which means the COO is responsible for the development, design, operation, and improvement of the systems that create and deliver the firm's products or services. The COO is responsible for ensuring that business operations are efficient and effective and that proper management of resources, distribution of goods and services to customers, and analysis of queue systems is done. (Source: Wikipedia)

that needed a boost to be successful; it became more pro-active in promoting underrepresented sectors; and became more aware of how to narrow its focus to the types of projects needed to round out its portfolio.

Now that the Facility has a large portfolio of grantees, its focus has shifted to grant management. This has meant significant additional effort, including visits to grantees to discuss key milestones and impediments to completion. As with the Facility's own grant, many of the timelines for sub-grants were unrealistic. This is partly understandable, given that grantees were embarking on projects unlike anything they had done before. While the grantees' efforts are commendable, the Facility seems in some cases to have made recommendations that were not optimal or realistic in relation to the environmental and organizational complexities of a particular situation.

Consulting and Capacity Building (CCB) Programme

This programme was originally launched as the Technical Assistance (TA) Programme. It was designed to:

a) build the capacity of microinsurance professionals
b) develop new microinsurance experts
c) enhance demand for microinsurance technical assistance
d) create a pipeline to the innovation grants

Until recently, working with the TA Programme was considered a consolation prize by grantees who did not qualify for innovation grants. But now that the programme has been restructured and renamed the CCB Programme, and is a separate grant category in R-4, it is seen to have greater importance.

Early outcomes indicate that the programme has met its key objectives. However the evaluation team found that some aspects of the programme led to inefficiency, for example engaging people who have no insurance background or development experience to work on capacity building. Such developments created significantly more work for the CCB.

Part of the stated intention of the transformation of the TA Unit to the CCB Unit is a more holistic approach to capacity building that provides more rounded benefits to individuals. But this requires a more effective selection process.

Research and Dissemination Programme

The learning agenda of the Facility was well grounded in a document developed in conjunction with EUDN (European Development Research Network). The document addresses impact, demand and supply, from both grantees and other sources. It proposes that outputs from different research activities should be consolidated and documented in a series of publications, to be disseminated to microinsurance stakeholders.

The Facility's focus has been on generating lessons on the ***outcomes*** of the innovation grants. However these are not yet available and they may not even be available by

2012. The Facility could in the meantime focus attention on collecting and sharing lessons from the ***process*** of putting the programmes in place. Sharing such "how to" lessons would be useful to stakeholders and could help to avoid something observed by the evaluation team – that several grantees were making similar mistakes and not learning from one another. In addition, the Facility needs to re-think how it captures learnings from grantees. Many grantees do not have the interest or capability to manage their own learning agendas and some mention that they are burdened by the Facility's demands for information.

While the Research Grant Programme was a key pillar of the Facility's original design, we note that there is a disconnect between the questions laid out in the research grants and the questions of many of the existing stakeholders in the industry.

Steering Committee

The Steering Committee has been asked to deliberate on some high level issues, but most of their time has been spent making decisions about grant applications. Overall there is appropriate due diligence by committee members, and voting by members has served to improve consistency and quality of decision-making regarding grant applications.

The Steering Committee needs to move beyond the basic role of grants approval, to effective steering of the project. The committee's roles and responsibilities are outlined in a Terms of Reference (ToR) document that was provided to committee members, although not all members remember receiving it. Key gaps in the committee's skills composition also hinder potential for greater innovation, such as in the area of technology. Except for a few memorable occasions, members admit that they usually simply follow the lead of the Team Leader. They need to be steering the project, pushing its boundaries where appropriate, and holding management accountable to meeting the objectives of the foundation. The evaluation team recommends changes to the make-up of the committee by appointing an outsider chairperson.

The Foundation

The foundation has provided helpful assistance on several levels. It linked the Facility with the foundation-funded CGAP Technology project which promotes technology in microfinance. Through CGAP, the Facility learned many startup lessons that helped them avoid common errors. In addition, Financial Services for the Poor (FSP – the financial services-granting arm of the foundation) pushed for the Facility to engage in a study with consultants from McKinsey to identify areas where grants could be catalytic in the health financing sector. The results of this study fed into what became the health microinsurance component of Round 4 of the innovation grants.

We noticed a lack of effective communication between the foundation and the Team Leader. This needs to be addressed, as it hinders the ability of the foundation and the Facility to work together towards meaningful joint progress.

Immediate Recommendations

1. Staffing
    a. Formally set out management roles for the Team Leader and the intended Chief Project Manager. We suggest these might follow the structure of Chief Executive Officer and Chief Operating Officer.
    b. Develop and implement a clear process with timelines and expectations for the current Grants Manager to transition to the position of Chief Project Manager (or COO). This should be complete within 6 months, depending on the capacity building required.
    c. In the first phase of the transition, offload grant management responsibilities from the Chief Project Manager-designate without delay.
    d. The Chief Project Manager, in conjunction with the Team Leader, will need to assess key priorities and areas of focus, restructure responsibilities, and do a skills and time analysis to determine that the Facility has the correct staff complement with all requisite skills.
    e. Restructure the roles of research, CCB, and communications managers so that they can focus on running their functional areas, rather than spreading them too thin with geographic and thematic responsibilities and burdening grant managers with work of these managers, especially in relation to the CCB program.

2. Innovation Grants
    a. While the grant application process has proved effective for encouraging innovation, ToRs may be more appropriate for some consumer education projects and for focused projects where the Facility has specific ideas of what it wants to accomplish, especially for rounding out the learning agenda.
    b. Management should clearly outline its roles with regard to grantees, in particular focused technical grants such as in the health microinsurance component of Round 4. The roles of grants manager, technical assistance provider, and researcher require different skills and should not be taken on by staff without those skills.
    c. The learning portion of the grants should be decoupled from the rest of the grant and managed in order to avoid potential conflict and bias. This could be done as a more independent unit of the Facility and / or in a manner somewhat (though not entirely) like that of CIRM in India, while leveraging the lessons of the grants and CCB program.
    d. The Facility did not insist on the use of Key Performance Indicators (KPIs) in the beginning. As a result, most grantees are either only just starting to implement KPIs or are not calculating them at all. The Facility must now ensure that KPIs are used for all grantees from now on, and provide appropriate training to organizations needing to change their databases and accounting systems.

3. TA/CCB Programme
    a. Where appropriate, the CCB should facilitate Technical Assistance providers (TAPs) to promote segregation of operations data at the

product level so that KPIs can be calculated. Grantees should be compelled to move towards this approach.

b. Selection criteria of Joint Mission (JM) participants and mentors must improve, and only those with real potential to become microinsurance consultants should be selected as part of a holistic approach to capacity building that may include fellowships, trainings, and other interventions.
c. The CCB Manager and the Lead TA Mentor need to assess the outcomes of the Fellowship programme thus far in order to improve selection and partnering criteria, so that there is more potential for win-win placements. This will likely result in fewer fellows, but of better quality and with a more holistic capacity building experience.
d. The Fellowship Handbook needs to be completed, and should include policies for Fellow and partner selection and for Facility management.

4. Research and Dissemination
   a. The Facility must spend time and resources in 2011 and 2012 distilling lessons from academic research into information that is manageable and useful for practitioners.
   b. There should be at least some researchers within the Facility who have independent research mandates while still having access to grant officers' knowledge and contact with grantees.
   c. The Communications Officer should create segmented databases of potential audiences for the Facility and categorize the specific needs of each audience segment.
   d. With some restructuring, a Lessons Factory could be set up within the Facility to provide analysis of Facility grants, other foundation grants, and the grant programmes of other donors. The Lessons Factory could become a central clearing house for lessons on microinsurance.

5. Steering Committee
   a. Review the roles of the committee and the committee chair in an upcoming meeting.
   b. Expand the role of the Steering Committee in practice to address more strategic issues and ensure progress towards the full range of grant and foundation objectives.

6. The Foundation and the FSP
   a. Lessons are the primary objective of the foundation and without proper structuring the lessons will be limited. The FSP needs to make sure that grantees are not pushed by production milestones before they have the ability to structure how lessons will be learned.
   b. The FSP needs to be more effective in managing lessons projects. With strategy having shifted to savings, it is still important that the foundation effectively oversees this programme using people who understand insurance and microinsurance.
   c. The FSP should establish a formal round-table or conference twice a year with microinsurance grantees ready to share information in a structured way regarding what is working, what is not, and key lessons.

Contents

Acronyms

AIC	Alternative Insurance Company
AKAM	Aga Khan Agency for Microfinance
AMUCSS	Asociación Mexicana de Uniones de Crédito del Sector Social A.C.
CCB	Consulting and Capacity Building (Programme within the Facility)
CEO	Chief Executive Officer
CERMES	Centre de recherche médecine, sciences, santé et société
CIC	Cooperative Insurance Company
CIDR	International Centre for Development and Research
CIRM	Centre for Insurance and Risk Management
CNSEG	National Confederation of General Insurance Companies
DID	Desjardins Development International
Ed	Education
EUDN	European Development Research Network
FundaSEG	Foundation of the Columbia Insurance Federation
FSP	Financial Services for the Poor (the MI granting unit of the Foundation)
ICICI	Industrial Credit and Investment Corporation of India
IEP	Informal Economy, Poverty and Employment
IFFCO	Indian Farmers Fertilizer Co-operative
IFMR	Institute of Financial Management and Research
IG	Innovations Grantee
IIE	Institute for International Education
ILRI	International Livestock Research Institute
JMP	Joint Mission Participant
KPI	Key Performance Indicator
ME	MicroEnsure
MIA	Microinsurance Academy
MIRC	Microinsurance Resource Center
MNYL	Max New York Life
MoU	Memorandum of Understanding
NACCF	Central Nepal Agriculture Cooperative Federation Ltd.
NHIF	National Hospital Insurance Fund
PICC	People's Insurance Company of China
PWDS	Palmyrah Workers Development Society
ReG	Research Grantee
RIMANSI	Risk Management Solutions Inc.
RJ	Rejected Grantee
SC	Steering Committee
SCC	Swedish Cooperative Centre
SEWA	Self Employed Women's Association
SICL	SANASA Insurance Company
SSP	Swayam Shikshan Prayog
TA	Technical Assistance
TAG	Technical Assistance Grantee
TAP	Technical Assistance Provider
ToR	Terms of Reference
UAB	Union des Assurances
UMSGF	l'Union des Mutuelles de Santé de Guinée Forestière
USD	United States Dollar
WRMS	Weather Risk Management Services

Introduction and Methodology

The MicroInsurance Centre has been contracted by the Bill and Melinda Gates Foundation (the foundation) to submit this evaluation of the ILO's Microinsurance Innovation Facility (the Facility) at the mid-term of the foundation's grant to the Facility.

The intention of the evaluation is to assist the foundation to assess the status of its grant to the Facility in relation to the grant's objectives; to identify specific adjustments that might improve the likelihood of a successful result to the grant; and to help the foundation's Financial Services for the Poor (FSP) unit to identify potential improvements in its approach to microinsurance grants in general.

Overall key objectives of the evaluation as outlined in its ToR are as follows:

1. To ensure that lessons of the microinsurance grantees (and sub-grantees) are accessible to the private sector, the wider industry, and specifically to donors interested in increasing access to and use of insurance services by poor people.

2. To gauge grantees' progress toward their objectives in order to determine what changes might be feasibly made to restructure grants so they reach intended or adjusted goals.

3. To inform the foundation's decisions about the strategic direction of its microinsurance portfolio.

The evaluation team did not set out to report to the foundation what it already knows, or to reiterate the Facility's numerous accomplishments as outlined in its progress reports and its annual reports. We do, however, make occasional observations that can no longer be acted upon by the Facility but could be useful information for future grants that FSP may consider.

The evaluation consultants structured their evaluation around the four pillars of the Facility's activity – innovation grants; technical assistance and capacity building; research and learning; and dissemination. The evaluation was two-tiered, with both the Facility and its sub-grantees being assessed according to similar guidelines. The interviews with sub-grantees were conducted to assess the Facility as well as to assess the sub-grantees themselves. Appendix A provides a list of those interviewed, which includes Facility staff, Steering Committee members, sub-grantees, technical assistance providers, some grant applicants who were not accepted, and other partners. The overall goal of the interviews was to determine the achievements, expectations, lessons learned, and results thus far, in relation to the Facility's original objectives and the foundation's objectives.

The process began with a meeting in Appleton, Wisconsin in January 2010 with Michael J. McCord of MicroInsurance Centre, Facility evaluators John Wipf and Kathy Woodliff, AKAM evaluator Denis Garand, MicroEnsure evaluator Rick Koven, and Lessons Management Specialist Barbara Magnoni. The purpose of this meeting was to coordinate approach, encourage team building, and clarify objectives.

At the meeting a preliminary list of interviewees, selected by the FSP and MicroInsurance Centre, in coordination with the Facility, was finalized. This list was designed to cover geographical range as well as duration and type of relationships – whether grantee, TA provider, or partner of the Facility. The list of interviews actually conducted (presented in Appendix A) was altered somewhat from the original list for various reasons, ranging from lack of availability of a key informant to additional interviews which became important during the evaluation process.

At the meeting, field visits were allocated among various team members to reduce time and travel cost. Rick Koven was assigned the interviews in India (the Facility, ME, and AKAM); Kathy Woodliff was assigned to Tanzania (ME and AKAM), John Wipf to Uganda and Philippines (ME and the Facility), and Denis Garand to Pakistan (AKAM). The Facility team jointly interviewed Facility grantees in Kenya. Barbara Magnoni was assigned to interview EUDN in UK as well as to conduct telephone interviews in Spanish, while Denis Garand was asked to conduct two telephone interviews in French.

Different interview questionnaires were designed for grantees, TA providers and partners of the Facility. Interview questions were drawn up around the foundation's core questions. The grantee questionnaire was divided into two parts – the first part to be sent ahead of time, consisting of quantitative questions, the second part to be addressed in the interviews.

Interviews began in mid-January 2010. By 10 March 2010, team members had completed their assigned field visits and calls. Data was transcribed and exchanged, with frequent calls made to exchange notes and clarify. During this period, MicroInsurance Centre supported each team with travel and appointments arrangements.

The evaluation team visited the Facility headquarters in Geneva and interviewed Craig Churchill, Team Leader; Jeanna Holtz, Chief Project Manager; Mary Yang, CCB Manager; Michel Matul, Research Officer, Jasmine Suministrado, Knowledge Officer; Sarah Bel, Communications Officer; and Grants Officers Caroline Philly, Pranav Prahsad, and Miguel Solana.

All data was then analyzed and discussed. This report captures the findings and recommendations.

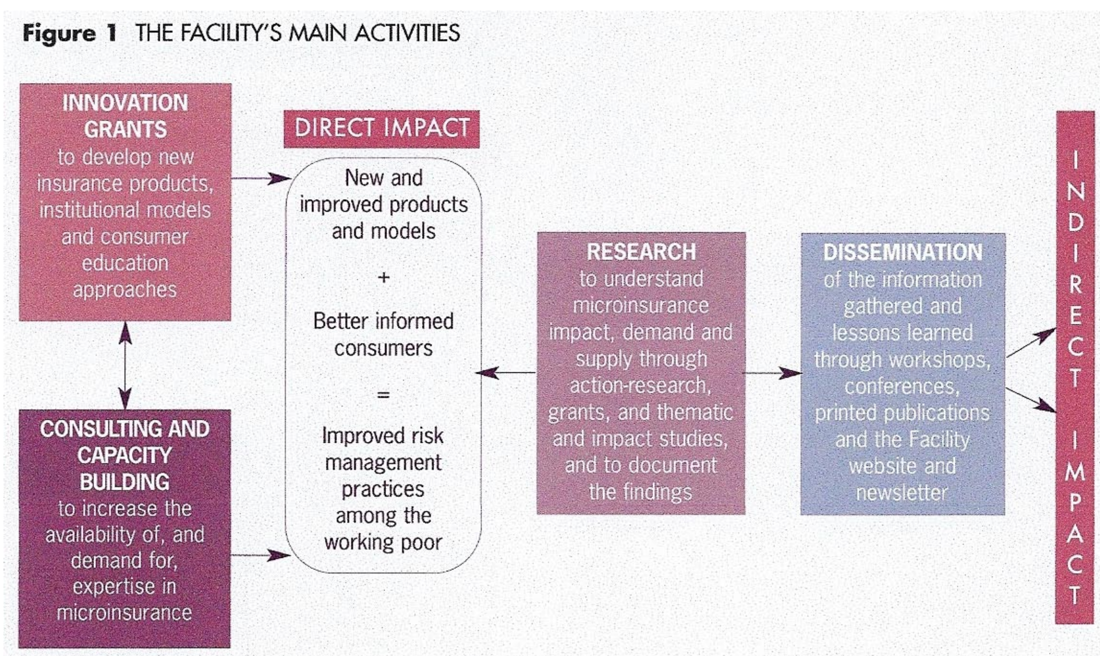
Project Objectives

In the initial Proposal Analysis and Recommendations overview prepared by the foundation, a major problem regarding microinsurance in general was stated as follows: "There are too few examples of scaled, high-impact insurance programmes for low-income people around the world, and there is limited understanding on the impact of microinsurance, opportunities to enhance value, and/or ways in which to dramatically expand outreach. Moreover, should there be significant advances in either area; the pool of microinsurance expertise would be too small to replicate success widely."

To address this problem and need, the ILO Microinsurance Innovation Facility was established through funding by the foundation, with its primary aim being to support efforts to create viable microinsurance products and encourage the demand for them. The Facility's programme is organized around four pillars. The first of these, the Innovations Grants, was created to support delivery of and experimentation with microinsurance products. The three other pillars enable broad replication: the Technical Assistance (TA) pillar develops a cadre of microinsurance technical providers to help increase regional microinsurance capacity; the Research pillar supports academic and practical research and documentation; and the Dissemination pillar provides methods for disseminating tools and lessons and facilitating replication of successful approaches through the availability of data and information.

The four project pillars were designed to reinforce each other (as shown in Figure 1) – Innovation Grants to stimulate new ideas and approaches, Technical Assistance to improve capacity and practices, Research to document new and existing knowledge, and Dissemination to leverage successful innovations and practices. Their combination is designed to broaden the outreach and value of microinsurance protection worldwide.

Figure 1: The Four Project Pillars



The Facility proposed three indicators for measuring its success:
1. Expanded outreach.
2. Dramatically improved understanding of the microinsurance model and its impact on the poor, achieved by research and evaluation of more than 50 grants.
3. Providing a foundation for successful scale-up via improved tools, more skilled practitioners, and a shared understanding of factors that lead to success or failure.

The original 2007 Facility proposal set out three types of project milestones:
1. Process milestones (relating to the processes of the Facility)
2. Learning milestones
3. Outcome milestones

In the Facility's 2009 Annual Progress Report lists five milestones of activity/objectives:
1. Provide innovation grants
2. Provide technical assistance
3. Identify and document successes
4. Disseminate tools and lessons
5. Project management

The achievements related to these milestones are outlined in the 2009 Report so need not be repeated here. Three aspects are noteworthy:
1. Milestone categories changed. If the initial categories are still relevant, perhaps a matrix should be established to show how they interrelate.
2. Outreach (and possibly some of the other expected results) will likely not be reached at the end of 2012, so the Facility needs additional planning on its approach to a no-cost extension of the grant.
3. The FSP and the Facility need to review the initial assumptions and determine if the new targets and measures of success will achieve the desired outcomes, especially with regard to "Learning milestones". Although technically several "Learning Milestones" will likely be achieved, the objectives of the FSP in this regard may diverge from those of the Facility. The objectives of the FSP will most likely center around the value of microinsurance to the low-income market, while the Facility is more likely to point to operational lessons. "Process Milestones" are likely to be achieved. But except for one or two huge grantees that would cover most of the "Outcome Milestones", it is unlikely that innovation grant projects will have the outreach anticipated (lower than expected outreach is a common lesson of microinsurance). At this point, therefore, it would make sense for the FSP and the Facility to re-evaluate their objectives, especially learning objectives, with a view towards a closer alignment of FSP objectives and Facility outputs.

In spite of the abovementioned achievements, the Facility's objectives are oriented around learning outcomes, and learning outcomes will be successful if three criteria are met as a result of the project:
- The costs of delivering insurance to the poor decreases significantly.
- Products meet the needs and demands of low-income people and help them manage the risks they face.
- Standards are set for evaluating microinsurance programmes to ensure value for clients and instructional performance.

We will return to the learning outcomes objectives later in this evaluation

Facility Management, Staff and the ILO

In 2007, the foundation and the ILO jointly launched the ILO Microinsurance Innovation Facility. At that stage there was only a single staff member – the Team Leader. The next staff hired were four managers to implement each of the four pillars – Innovation Grants, TA, Research, and Dissemination. Since initially these managers were the only staff, their roles had to expand to include the functions of grant officers. Later, when grant officers were hired, the managers were not relieved of their grant officer responsibilities. Later still, the jobs of the four pillar managers evolved to encompass geographic and thematic responsibilities. This broadening of responsibilities has had benefits, such as getting the managers directly involved in working with microinsurance programmes. But it reduced their ability to effectively carry out their designated management functions. Ultimately, in our view, it has reduced their efficiency and the effectiveness of the Facility.

The Team Leader, Craig Churchill, is a good communicator, but our observation is that he needs to work on being more open and transparent, both with his staff and with external partners, especially the FSP. The Facility's Annual Report to the foundation reads more like a marketing exercise than an Annual Report, in the sense that it plays down key difficulties and struggles. Conversations between the Team Leader and the foundation are infrequent (for which both sides must take responsibility), and when they do occur, they tend to be about all the good things the Facility is doing. Highlighting achievements is important, but it has to be balanced. Given the FSP's sincere desire to learn and effectively oversee the grant, the lack of balance is not helpful. The Team Leader's lack of transparency extends to the Steering Committee, where there is not sufficient clarity about the Facility's strategies and decision-making.

It would also be helpful if the Team Leader communicated more internally, i.e. spent more time interacting with staff. The Facility staff need guidance and a better relationship with him. Even brief interactions would be helpful in managing this team of diverse personalities.

The lack of openness and lack of acknowledgement of challenges they face has resulted in a general staff burnout and low morale. In addition, the expansion of staff roles and expansion of programmes has added extra strain. This was further exacerbated by the death of José Navarro and the emotional toll that it continues to take, as well as the resulting loss of momentum in Latin America.

The staff cannot continue to work at their current pace and morale, and changes are needed quickly. One change that has happened already is the promotion of Jeanna Holtz to Chief Project Manager, the organization's senior manager, which we think is a positive move. She began to assume her new responsibilities toward the end of April. However, there will only be a gradual movement towards full implementation of her job description, and there is no formal plan for Jeanna to move into this position. In order for her to be effective even in transitioning to her new her role, a plan should be developed to offload her current responsibilities and to empower her to address performance issues, change priorities, adjust workload and reallocate staff (see Appendix B, Table 2 for a current organization chart).

As the Facility grew, it realized that it needed to adapt and change its staff functions to better integrate its activities. At the beginning of 2010, during a staff retreat, the Facility formalized restructured roles and responsibilities in a three-dimensional framework organized along geography, theme and functional areas (see Appendix B, Table 1). The goal was to provide a customized and integrated approach.

The rationale for the geographical structuring was that it would enable staff members to get to know a region and its needs broadly across the dimensions of grants, capacity building and research. It would allow the Facility to have one familiar face in a region, and thus better understand the region and its specific needs. Now that the Facility is spending more time on grant management (as opposed to grant making) it is important for staff to spend more time visiting grantees. This will better position the Facility to determine key areas of focus and to be thoughtful about its priorities. The geographic structure is being further developed into work plans and priorities for 2010.

One of the distinctive features of the Facility is its excellent and dedicated staff. As mentioned already, there is a big problem of too much work ("too many plates to spin") and staff members are on the verge of burnout. Although this is acknowledged by top management, there is no evidence of urgency to make changes. Based on our discussions, there does not appear to be a plan to address staff issues in a holistic way before 2012. We hope that with the promotion of the Chief Project Manager a realistic assessment of staffing needs will be made immediately.

Aside from sheer workload, we are concerned that staff responsibilities are spread too broadly. Grant makers, grant managers, TA providers and researchers each require different sets of skills. People who were hired for their skills to perform certain roles have seen their roles expanded and their effectiveness diluted despite their best efforts. People are most effective when they are allowed to focus on their primary roles, and this extends to organizational effectiveness. For example, the TA/CCB Manager and the Research Officer would have been able to accomplish more for their programmes if their roles had been focused exclusively on their main functions.

The TA/CCB Manager did not have sufficient time to promote her programme outside the Facility nor did she have the time to identify and effectively assess potential partner organizations to enhance her programme. Visits to some grantees and prospective grantees by the TA/CCB manager were difficult to fit in, given her additional responsibilities as grant manager, but such visits would have helped improve the perception of the programme and its benefits. Similarly, the Research Officer might have initiated a framework for lessons earlier on, which would have helped to frame the learning agendas of early grantees as well as focus the Facility on generating appropriate information. It would have also been useful for the Research Officer to have spent more time working with some grantees on the best way to integrate the research protocol within their organizations, given that the learning agenda presented a resource burden for many of them. The time he spent on the setup and implementation of small research grants and grant management responsibilities would have been better spent making action research more effective.

The scope of this evaluation did not include assessment and adequacy of staff, so there was no review of individual roles and responsibilities in relation to skills, nor were any productivity studies conducted. However we would like to note two observations:

- The new Chief Project Manager position is a positive move. It will complement and offload some work from the Team Leader; provide greater focus and execution to meet key objectives; prevent role expansion (including administrative activities); address staff burnout and morale issues; and analyze staffing needs from skill and capacity perspectives.

- There needs to be a review of skills to determine how to fill critical gaps (for example, insurance technology) that impact almost all grantees and most technical assistance activities.

Staffing Recommendations

The evaluation consultants believe there are a number of staffing issues that should to be addressed in 2010 (Immediate = I, Near Term = NT, Long Term = LT).

1. **I - Formally identify the intended management roles of the Team Leader and the intended Chief Project Manager.** A possible structure would be a differentiation along the lines of Chief Executive Officer (CEO) and Chief Operating Officer (COO).
2. **I - Develop and implement a clear process with timelines and expectations for the current Grants Manager to transition to the position of Chief Project Manager (or COO).** This should be complete within 6 months.
3. **I - In the first phase of the transition, rapidly offload grant management responsibilities from the Chief Project Manager designate.**
4. **I – The Chief Project Manager, in conjunction with the Team Leader, needs to assess priorities and areas of focus, restructure responsibilities, and do a skills and time analysis to determine if the correct number of people with requisite skills are employed.**
5. **NT - Work plans, priorities and goals, while they exist for each functional area, need to be integrated and prioritized for all staff members who have cross-functional responsibilities.**
6. **NT - Staff with specific roles such as the CCB Programme, or Research and Knowledge Management, should not have responsibilities for managing grants, thematic areas or geographic roles.** They should be left to focus 100 percent of their time, energy and strategic thinking around their functional responsibilities.
7. **NT - Administrative functions need to be offloaded from the Chief Project Manager and the CCB manager to the new admin role.**
8. **Position within the International Labour Organization (ILO)**

The objective of the ILO is to advance opportunities for men and women worldwide to access reasonable work opportunities and to broaden the employment and social protection opportunities of the poor, by means of a global organization with credibility. The Facility's partnership with ILO made sense, because it shared some of these broad aims. The partnership has meant instant credibility and greater leverage with grantees, and it also allowed the Facility to leverage the ILO's country and regional office infrastructure for due diligence, media contacts, press conferences and press releases. The ILO partnership also meant credibility with donors and other sources of funding.

An additional benefit is that through the ILO the Facility can connect microinsurance to cooperatives and mutuals, introduce trade unions as distribution channels, allow efficient links to other UN agency funding and relationships, and have access to technical departments such as the ILO's Migrant Department which understands remittance-linked insurance.

There are also administrative advantages. The Facility utilizes the ILO for administrative tasks such as HR, Legal and Finance, and visa acquisition. The ILO can assist greatly with unforeseen issues that need to be handled in a country – as happened with José Navarro's death and the international issues related with that tragedy. ILO employees do not have to pay taxes and the ILO pays the Team Leader's salary.

While all these benefits are real, and the current arrangement keeps costs lower, it does create cultural and procedural challenges. The cost of living in Geneva is considerable, and many other locations are more cost effective for staff.

 And although the Facility does its own sourcing, screening and hiring of staff, independent of the ILO, the job structure requirements of the ILO can be limiting. For example, the Facility wanted to develop a hybrid position for someone with both administrative and project management responsibilities, but there was no provision for that within the ILO. This resulted in a six-month delay in filling the position with an appropriately qualified person.

Likewise, the Facility has developed some implementation activities that are not easily handled by the ILO, such as its arrangement with the Institute for International Education (IIE). There have also been situations with Facility staff visiting countries without the approval of ILO country managers. Although such approvals are not a requirement, their absence has led to friction. In addition, the Facility is constrained in its website development and its positioning within the microinsurance arena is based on the ILO website and branding. And the greatest challenge with the ILO structure is the timeliness of grant disbursements, especially TA grants (see TA/CCB discussion below for more details).

All of these issues mean that Facility staff have to spend precious time working through issues and perspectives within a highly bureaucratic, structured and siloed organization. Where the Facility has managed to work with different departments within the ILO, this has been done through good personal relationships. Such cooperation is not facilitated by the ILO structure or culture – in fact; it is often hindered by it.

If the Facility were a traditional organization, we believe it would fit nicely within the ILO culture and structure. But given that the Facility is specifically focused on being innovative and pioneering, we question how effective it can be long-term if attached to an organization as highly structured as the ILO.

 Now that the Facility has its own identity, brand and image in the market as the premier provider of innovation grants in the microinsurance space (and will be known for other things as it builds out its other three pillars), we believe that it is no longer necessary for it to be part of the ILO. It certainly could still form a strategic alliance with the ILO and have the ILO provide some services through a Service Level Agreement (SLA). But in order for it to be optimally effective long-term, we believe it should be independent, but not until at least after the current foundation grant concludes.

 As it continues to innovate and reposition itself, it will have more freedom and focus if it is decoupled from the ILO. We therefore believe that the reasons for the Facility existing as a separate organization outweigh the current advantages.

<u>Facility/ILO recommendations</u>

1. **LT - The Facility should separate from the ILO and become an independent organization, while retaining a strategic alliance with ILO. This would require a clear agreement that outlines the nature of the relationship and the role each party would play.**

Innovation Grants

The Innovation Grants Programme

The primary purpose of the Facility's Innovation Grants Programme is to support development of viable and valuable microinsurance products and to encourage demand for these products among the working poor. According to the Facility's 2009 Annual Report, 37 organizations and consortia have been contracted under this programme. Most of these are, or are about to, experiment with improving products, developing and testing alternative institutional models, and/or studying the effectiveness of new consumer education strategies. Approximately USD10 million out of approximately USD20 million[5] budgeted in innovation grants has been approved, with just under USD 4 million already disbursed by the end of 2009.

Evolution of the grant application process

It is useful to first summarize the evolution of the grant application process. When it began in early 2008, as Grants Manager Jeanna Holtz describes it, round one (R-1) was a blank slate. An open invitation was made for grant applicants. Of a total of 127 applications, 10 were selected and approved, ranging from USD 56,393 to USD 500,000.

From the start, the goal was to build a wide-ranging portfolio of potential grantees, diverse in both type of grant and geographic region. The focus was on filling the grantee grid (with regions on the x-axis, project types on the y-axis). This somewhat artificial approach to diversification may have ultimately diluted the portfolio in unintended ways, such as reducing the quality of lessons. Over time, the information-gathering became more sophisticated, and was sorted and customized based on focus areas of proposals.

With each succeeding round, guidelines evolved and focus areas were better identified to address market gaps. Some application types (e.g. credit life[6]) and regions (e.g. India) were found to be over represented.

In R-2 the Facility determined that it would prefer more health insurance and fewer credit life proposals – hence, credit life applications were discouraged. A credit life proposal could still be considered, but only if it came from a country with an underdeveloped insurance industry. In R-2 the Facility received 79 proposals through its new online application system, fewer than in R-1, but generally of better quality. A total of nine were approved.

In R-3, as a result of increased publicity and the call for smaller proposals, the number of applications shot up to 150, of which 30 were for consumer education. Eighteen applications were selected, including three for consumer education.

The average grant to this point had been around USD 300,000 and the Facility decided that it needed to lower the threshold for smaller requests in order to increase portfolio diversity.

R-3's focus on consumer education was a new type of grant request, which created a number of problems:

[5] FSP Proposal Summary: USD19.7million

[6] Perhaps confirmed by the fact that there were no credit life innovation grantees.

- The Facility seemed to have preconceived ideas of what it was looking for but did not share these ideas with potential grantees.
- The Facility required successful applicants to attend a meeting in Brazil that did not take into consideration their time constraints or reimburse them for their time.
- The Brazil meeting was not well framed and did not have well-defined goals. It failed to create the desired unification, common monitoring and evaluation methodology, and project cohesiveness to leverage learning.

During this time, there were two new positive moves by the Facility. The first was to provide more support and tools to organizations that had the potential to replicate across a global platform, such as the Caregiver product currently being developed through Microfund for Women in Jordan. Second, the Facility began to be more proactive in promoting development of underrepresented sectors. An example was Egypt, where the Facility participated in two regional conferences run by the Egyptian Insurance Supervisory Authority, which wanted to promote microinsurance in a region where it is virtually non-existent.

Supporting replication across a global platform

The Caregiver product was developed for the clients of Microfund for Women in Jordan, by an affiliate of Women's World Banking (WWB), which offers the product. It is a supplemental hospitalization policy covering out-of-pocket expenses and lost wages for women who have had to act as caregivers if any of their family are hospitalized. Microfund for Women is pilot testing the Caregiver product. With lessons learned in Jordan and adjusted for local conditions, WWB expects to replicate it with several other affiliates potentially using the same insurer. The efficiencies they hope to derive from this replication should make the product cheaper and increase its value for clients and their families.

After R-3, the Facility took a breather at the urging of the foundation, and worked on three things:

- Worked with consultants from McKinsey and the foundation on a health study that would serve as input to R-4.
- Disseminated key performance indicator (KPI) collection templates to all grantees, and discussed with them the importance of these new reporting requirements.
- Determined additional staffing needs and hired people accordingly.

By R-4, the Facility was well prepared. It launched the round with three different application windows:

- Health microinsurance innovations (following the recommendations of the McKinsey study), which attracted just under a hundred applicants.
- Other microinsurance innovations, with over 80 applicants.
- Capacity-building support, with over 50 applicants.

Health

The health microinsurance applications were set up as a two-phase approach. Phase 1 consists of an expression of interest (EOI) submitted on a streamlined application. Applicants approved in Phase 1 enter Phase 2, and the Facility works with the shortlisted applicant organizations to further develop their proposals. During this phase, the Facility identifies any additional work that applicants need to do to align goals to the learning agenda and increase potential impact. The revised shortlisted applications then go before the Steering Committee, which selects the best proposals.

On the whole the health microinsurance application process seems to be a viable model, with the potential to create dynamic partnerships between grantees and the Facility. It remains to be seen whether Facility staff have the added capacity to work effectively with potential grantee during Phase 2. The Grants Manager will need to ensure that there are sufficient outside experts to provide input to this process.

All grant applications are reviewed by two reviewers using a tool called Preliminary Assessment Score Sheet to ensure consistent scoring. Each reviewer receives training and completes a test run to ensure calibration. As a team, the reviewers have a high degree of confidence in their mutual assessment. Reviewers have six to seven days to score grantees.

The score sheet continues to evolve and the current tool consists of four categories:

1. Client/Market Issues
2. Viable Project Idea
3. Applicant's Capabilities
4. Strategic Relevance (aligned with the Facility's learning agenda)

Grantees are selected because of their product innovations, alternative institutional models or consumer education strategies (see Appendix C, Table 1). The reviewing team adjusts scores to emphasize or de-emphasize certain geographic regions or projects. For example, scores are adjusted to make it easier for applicants in Africa to qualify, because there are fewer qualified organizations in that region. On the other hand it is more difficult for those from India to qualify, because India is a more developed market with more grant applicants.

The Facility also has some external reviewers on call in case the number of grantees exceeds the capacity of the staff. If technical expertise is needed, the Facility goes outside to its advisory group of experts to properly evaluate the proposal(s). This advisory group was in the process of being formalized as of early March 2010 and consists of experts in fields of technology, regulatory, reinsurance, etc. – areas in which there are gaps on the Steering Committee.

The Steering Committee theoretically has the final decision on direct approval/rejection or conditional approval of the shortlisted applications. The goal is to reach consensus during the Steering Committee meeting.

Based on our evaluation interviews as well as informal discussions outside the evaluation parameters there appear to be two issues concerning rejected grantees.

1. Some have been surprised or annoyed at being rejected, as they had interpreted the Facility's request for additional information during the approval process as an indication of approval. They should be encouraged to reapply with what would be required to increase the likelihood of success
2. Some of the feedback given to the applicants was too generic in nature and not all that helpful. (If the Facility recognized strengths and thinks there is future potential, it will encourage grantees to reapply).

Grants Management

Now that the Facility has a large portfolio of grantees, its primary focus has shifted from the grant application process to grants management. One of our concerns is whether Facility staff has the requisite skills for grant management, especially if these staff members are also providing technical assistance, as seems to be the case (see Appendix B, Table 2). Staff will have to spend more time in communication with grantees, and in the field visiting grantees. Grantees often deal with very complex issues in less-than-ideal conditions, and many of them have initiated projects unlike anything they have ever done before. This inevitably leads to unrealistic timelines and projected outcomes, especially if the grantees have not worked with the Facility to develop more realistic estimates.

There is a need to decouple the funding available for lessons learned from the funding for grant proposals (see Research section recommendations). The Facility has by now a sizeable portfolio of grantees, most of whom have opinions about what is working and what is not working, and on what their overall learnings are. It is important for the Facility to conduct an assessment to determine how grantees will fit into the learning agenda, where there are gaps, and what else needs to be done to fill in those gaps (this is discussed further under Research section). The learning approach on grants needs to be reconsidered. The Facility is already looking at this, but we understand that the new approach may involve assigning an independent learning coordinator to each grantee to extract learnings. This may be too labour-intensive.

Innovations Grantee (IG) interviews

To gain better insights, the evaluation team interviewed seven grantees in the field, and two others via Skype/phone. This sample, although small, was representative enough to gauge early performance and understand some of the important issues that concern the various stakeholders.[7] (See Appendix C, Table 2.)

Level of innovation with grantees

Understandably, one of the primary concerns of the foundation is whether or not the Facility is funding projects that could have a catalytic effect in the markets. The motivation for this project was to encourage innovations that would help to overcome the barriers to widespread and valuable microinsurance coverage. The idea was that at least some of the grantees would make breakthroughs that could revolutionize the way microinsurance is designed and distributed, thus making a meaningful difference to insurance coverage for the majority of the world's poor populations.

[7] The sample was selected in consultation with MicroInsurance Centre, FSP, and Facility management.

What is innovation?
According to the Facility's guidelines, innovation may involve borrowing ideas from other domains or regions to do something new at home. It may be incremental, creating a small improvement at the margins, or it may be radical, a riskier effort with a higher potential return. The primary objective is to learn to provide better insurance coverage to low income people, to learn how to develop an insurance culture among the poor, and to understand the extent to which the working poor can benefit from insurance as a risk management tool. To achieve this objective, "the Facility will support activities that challenge conventional wisdom. The innovation grants are therefore seen as action research, dynamic efforts to introduce new products, processes or models, to improve on existing ones, or take successful products/models to new markets. Such initiatives could be done on an experimental basis – for example, undertaken with some clients, but not with others – to assess their effectiveness or impact."[8]

After interviewing the sample of grantees, the evaluation team had little doubt that the frontiers of microinsurance are being pushed to new levels. We were impressed by the level of inherent creativity and the potential impact that these projects could have if they succeeded. (Appendix C, Table 1 reviews the types of innovation grantees interviewed.)

While the objective to stimulate microinsurance development through innovations is laudable and, by certain measures, appears to be working, we believe that a focus on innovation has also led to a number of problems:

- Because the term "innovation" gives an impression of something futuristic and inventive, it creates some confusion. It might for instance prevent conservative programmes, with excellent potential to scale quality microinsurance products, from applying for a grant. While there has hardly been a shortage of applications, there is a high probability that the Facility has missed out on some excellent opportunities for massive implementation and adaptation of existing lessons in new markets. Perhaps the term innovation could somehow be better clarified, or re-interpreted to include ideas of expansion or lessons.

- Similarly, while there are a few examples to the contrary, there is evidence that the contest for innovation grants is being viewed as an elitist competition which is not accessible to "ordinary" organizations. This came out indirectly while we were interviewing a rejected applicant and through other interviews, and it was also sensed by individual evaluation team members' interactions with the market prior to the evaluation. We believe that the Facility should be sensitive to this.

- Innovation by its very nature is usually associated with a longer-term horizon, and this is at cross-purposes with the rapid quantitative results that the foundation and the Facility are expecting. Most R-4 and recent grantees will not have sufficient time to learn lessons and then leverage them before 2012. For this reason, and recalling the overall objective, the focus beyond R-4 should shift towards grantees in a position to quickly and on a large scale implement existing lessons in the marketplace as opposed to those with an R&D approach.

8 Provided by Jeanna Holtz

- Due to their long-term nature, innovation grants could also be at cross-purposes with the learning agenda. While it is possible to develop early process learnings, it is far more difficult to generate product or value learnings, as these usually require longer incubation periods.

Scalability, sustainability and value

Will the projects being funded actually result in scalable models and products? Some in the sample are obviously scalable, such as the Max Vijay product, which targets a market segment comprising 115 million households in India, where technology (mobile telephone infrastructure) and the distribution channels (small retailers) already blanket most of the country. For others, the potential for scaling up is not as clear, such as with the La Positiva project in Peru, which misunderstood some of the key market fundamentals before it began the project.

Besides scale, the foundation is equally concerned with the sustainability of microinsurance programmes. Can they be viable without being funded? What is the value (relevance of cover, efficiency, etc) of products being offered? Are products protecting the savings and assets of poor households?
One way of tracking sustainability as well as value to clients is through Key Performance Indicators (KPIs). It was a surprise to learn that most sub-grantees, even the earlier ones, have not been tracking KPI values or are just beginning to implement KPIs. This limits the ability to assess these programmes using a common measure.

With such limited and variable results it is not easy to generalize about scaling up potential. Most programs appear to be scalable within their own markets and have potential for success in other similar markets. It is too early, however, to make a call on overall sustainability and value; it is very likely that five to ten years from now, mixed results will have emerged. Nevertheless, it is hardly possible to write off any of these projects even though some appear more promising than others. (Appendix C, Tables 4-12 give a summary of specific findings.)

Some observations and sweeping conclusions from the interviews with grantees:

- All those selected offer voluntary products. This may be the Facility's intention. However it should be noted that voluntary participation makes it much harder to achieve the quantitative goals of broad outreach with efficient and valuable products.

- All the grantees have underestimated the complexity and difficulty of what they have undertaken and some appear boggled by it.

- All the grantees are struggling with financial literacy and consumer education (or likely will be, once they launch). Some are struggling with marketing.

- None of the grantees are confident that they will ever actually achieve sustainability or profitability.

We note that the Facility does not generally fund feasibility studies to assess sustainability. Perhaps the Facility expected that potential grantees will have all done feasibility studies before applying. One of the Facility's grant officers estimates that only 50 percent of grantees have done any kind of feasibility study at all, which sets them up for a greater risk of failure. A good example is La Positiva, which only recently "discovered" things that would have become obvious in a feasibility study.

While we do not want the application and approval process to be more cumbersome for grantees, we do think some elements need to be added to ensure quicker implementation and better outcomes. Perhaps a streamlined feasibility study could be funded as part of the first phase of the project, in collaboration with a TA provider. Once this is done, and if the results reasonably support the plan, the grant could perhaps be allowed to proceed without having to go through the application process again. Another approach is to look at all grants similarly to the health grants, i.e. in a two-phase process.

Implementation challenges

As could be expected, there are significant challenges related to scalability and sustainability. The most common is the difficulty and cost of educating the market. This particular challenge even exists at the secondary level of risk pooling, i.e. at the reinsurance level. The interview with Guy Carpenter revealed that there is little awareness or appreciation of risk management by primary underwriters. This is perhaps a two-way problem; based on the experience of the evaluation team, reinsurers tend to over prescribe the need for quota-share (proportional) and surplus (individual excess-of-loss) reinsurance in this market, when what the market mostly requires is better catastrophe cover, and aggregate stop-loss reinsurance.

We did not have time to analyze all of the innovation grantee data before meeting the Facility in Geneva, as some of it was generated late and was provided by the other interviewers – hence there was not a lot of information and feedback to provide the Facility during our visit. The Facility's grants officers are most likely aware and attentive to most of the challenges (listed in Table 13 in Appendix C).

Funding: adequacy and timing

When asked about the adequacy and timing of funding, grantees made some interesting observations:

- Three of the nine interviewed said that the funding had been sufficient thus far and had been disbursed on time. However, one of these grantees (ILRI) was just getting underway, and we expect it to face significant challenges with market education. It may discover that it needs more funding.
- Three required more funding for training in the field, for financial literacy and consumer education.
- Two insurers did not need the grant but were glad to get it. Both would have proceeded with their projects even without the money. One of them said they applied for a grant because of the prestige associated with getting it, while the other applied for it to reduce the cost of research and development.
- Two said they would not have had approval for microinsurance from their management without the grant.
- Seven of the nine interviewed said they would have pushed through with their planned projects without the grant, either on their own or by seeking alternative funding.

We did not have sufficient time to investigate which of the issues raised should be investigated further. For example, the feedback revealed that some very innovative grantees are struggling to get off the ground financially (see Table 14, Appendix C for details).

The point about funding raising some interesting questions:

- To what extent does donor funding actually stimulate market development?

- To what extent would market development happen anyway?
- To what extent would lessons be captured and disseminated?

On the surface, based on this sample, it appears that many organizations would indeed go ahead on their own and/or with alternate funding. This raises further interesting questions:

- Would the general level of interest in microinsurance (and the interest to enter this market) be as great without the Innovations Programme?
- What has been the catalytic effect of the funding by the foundation and the work of the Facility to bring focus to MI resulting in other donors or investors becoming more interested in MI?[9]
- To what extent can we differentiate between such an intervention accelerating as opposed to merely stimulating the market?

Interaction with the Facility

Overall, grantees were pleased with the application process. They were impressed with its ease and transparency, and their level of interaction with and flexibility of the Facility.

For the most part, they were also pleased with the timing of the process. The only complaint was that some delays were caused when grantees were asked to alter proposals to reduce risk and fill in critical gaps. For example, the Care foundation project was delayed because it could not find an insurer to underwrite outpatient health care –an insurer could not be found, so initially it will self-insure.

One hindrance for grantees is with the learning agenda, and the requirement that grantees have responsibility for research protocols. Most grantees are not set up for this, nor do they have the experience to carry it through. In addition, in many cases they feel it is not in their commercial interest to share their hard-learned lessons (see Table 15, Appendix C).

Grantee project staffing

Naturally, the foundation is concerned about whether grantees commit adequate human and financial resources to innovation projects once a grant is approved. Most grantees felt it was too early for them to make any informed conclusions about their staffing needs. We did learn – not only from interviews but also through other discussions – that there is a need for dedicated microinsurance staff within insurer organizations. There was common feeling that microinsurance staff require a different mindset and a passion for helping the working poor.

Grant Application Process Recommendations
(Immediate = I, Near Term = NT, Longer Term = LT)

1. **I - To solicit projects from specific organizations, the Facility should consider going the ToR route rather than the grant application route.** This may be more appropriate for some consumer education grants, for example, and for other narrowly focused projects, for which the Facility has specific ideas of what it wants to accomplish, related to rounding out the learning agenda.

[9] One example of an institution that leveraged the interventions of the Foundation might be Leapfrog which has commitments of USD 120 million from donors and other investors for microinsurance investments.

2. **I - The Facility should make sure it has experts with the right level of experience to properly analyze the health grantees identified in R-4.** It needs to clearly outline the roles of who will interact with grantees and how that interaction will take place. The Facility also needs experts to examine funding levels in areas where it lacks expertise (such as insurance technology).
3. **NT - The Facility should emphasize the importance of basic feasibility studies before programmes are launched, and be prepared to fund them.** This was actually more of an issue in R-1 and R-2, where most of the sample interviewed was drawn from. Currently the Facility is more interested in funding programmes that have already made the effort to conduct feasibility studies.

<u>**Innovation Grant Recommendations**</u> **(**Immediate = I; Near Term = NT; Longer Term = LT)

1. I - According to the Chief Project Manager, “partners struggle on the ground to capture lessons (even though they may be confident about how they approach their work)”. This leads to weak and over-generalised progress reports. Thus the Facility faces a challenge in extracting the lessons it seeks. The problem is forcing grantees into a research role. Most insurance companies do not necessarily have the institutional structure to do good research, and to formally manage lessons. Managers we interviewed indicated that lessons are in their heads and they do not make particular efforts to generate nor analyse lessons. Our recommendation is therefore that **the learnings portion of the grant should be decoupled from the rest of the grant and separate (outside) people should manage research activities, drawing upon both grantee and Grant Officer knowledge so that there is no conflict or bias**.
2. I - The Facility did not emphasize use of KPIs in the beginning. Most grantees are either just starting to implement KPIs or are not calculating them at all. **The Facility must ensure that KPIs are used for all cases from now on, which would have to include the provision of training to organizations on the required changes to their databases and accounting systems.**
3. NT - If the Facility plans to have meetings similar to the Brazil meeting for its health microinsurance or other grantee groups, it needs to focus. **Meetings of grantees need to focus on key objectives and desired outcomes, and make the objectives of the meeting clear to grantees.**
4. **NT - A thorough assessment of all grantees should be conducted after R-4.** Dashboards of various performance areas should be set up and monitored, using data from reports and interactions with grantees. A holistic view of what is working and what is not should be distilled and documented, and corrective action taken where possible. The Facility should consider hiring consultants to help with this effort.
5. **NT -** There should now be enough institutional knowledge to know what some of the critical success factors are for potential grantees. **If there are issues impeding success for any project, advice should be given (via consultants), partners should be proposed and introduced, or the grant should be put on hold until issues can be resolved.**
6. **LT - The Facility should consider lowering the counterpart portion for non-profit grantees and for those in the start-up phase.** For many potentially innovative projects, a 25 percent counterpart is a formidable amount (even if all or part of it is in-kind for non-profits) which makes the Facility inaccessible to some potential grantees. We do recommend however that **some counterpart should remain, to help ensure that grantees are serious.**

7. LT - The term innovation creates some confusion in the market, and may prevent some potential grantees from applying. The Facility may be missing out on some excellent opportunities with more conservative programmes that have real potential to scale quality microinsurance products. **The Facility should look at ways to reposition its grant application process so that it casts a wider net and includes projects that may not be immediately viewed as innovative.**

Technical Assistance / Consulting and Capacity Building Programme

The overriding objectives of the TA pillar are to enhance capacity of the market, expand the number of quality TA providers, and improve provider performance. More specific objectives include:

- Creating a market for TA (on the assumption that there is an unrecognized need)
- Increasing the quality and quantity of microinsurance TA services
- Engaging skilled professionals with relevant background to microinsurance
- Building capacity of microinsurance distributors and suppliers
- Facilitating knowledge and experience exchanges

The outcome aimed for is a broader foundation for scaling up the microinsurance industry indicated by at least 30 new microinsurance professionals (both practitioners and consultants) by 2012 and five to ten new courses or tools.

To achieve this, the TA Programme comprises a number of components:

- A roster of TA providers – this includes microinsurance consultants who have demonstrated relevant skills and experience and can advise on microinsurance issues.
- A Fellowship Programme – places professionals with relevant backgrounds to work with host microinsurance providers in developing countries for 6 to 12 months. Through this immersion experience, fellows gain hands-on experience in adapting their skills to the low-income market, while at the same time they help to build the capacity of the host microinsurance providers.
- Joint missions – allow professionals with technical skills to join microinsurance consultants on a series of short-term assignments, giving them field exposure while maintaining their full-time jobs.
- Technical Assistance grants – small financial grants (with counterpart funds) to help microinsurance providers access the assistance of microinsurance consultants to address a specific issue. These grants aim to support demand for and demonstrate the benefits of TA, and so help to build a market for TA.
- Experience exchanges – these take the form of a workshop, study tour or a round-table discussion paired with a field visit. They allow microinsurance professionals to exchange knowledge and experience with one or more microinsurance providers so as to fulfill a pre-determined set of learning objectives. The experience exchanges also cross-pollinate ideas and stimulate long-term exchanges.
- Development of tools – lists of resources, guidelines and guides to help microinsurance professionals improve the efficiency and quality of their work.

The selection process for TA grantees (TAGs) starts out with a conversation between the requestor and the Facility. To be considered for a grant, certain criteria listed in the TAG guidelines need to be met. The Facility has to believe that external expert assistance can help solve the issue identified, while the requestor has to have the capacity to implement. The requestor is then asked to complete an application which consists primarily of a terms of reference (ToR) for the assignment, and then the ToR and the applicant are assessed against the TAG criteria. Where the Facility is not familiar with the applicant organization, a basic due diligence is conducted. If all is satisfactory, the Facility discusses a suitable TA provider (TAP) with the applicant, and draws up a grant contract.

Fellowship candidates are asked to submit their CVs with their applications. If these are satisfactory, the host and the Facility make a shortlist and interview the candidates. In cases where the Facility does not know a shortlisted candidate, a reference check is conducted. Starting in 2010, candidates are required to write a short exam, and pre-approval joint missions will be required to further validate the candidate.

Joint Mission candidates are also assessed initially from their CVs and applications. The Facility then interviews candidates, noting whether their skills are in line with market demands, and whether the candidate can communicate well and has a clear desire to build the capacity of microinsurance providers. Demand for the candidate's skills is verified when a suitable assignment emerges and a mentor shows interest in the profile.

The evaluation team noted that the TA/CCB Programme is extremely administration-heavy and that its interventions are labor-intensive. Many conversations have to take place before a client is identified, a match is made and support is set up. Each intervention may involve one or more contracts, and the resources required for monitoring and evaluation of one fellowship or joint mission are equivalent to those required for managing an Innovation Grant. In 2009 alone, the TA/CCB Programme generated more than 50 contracts, each requiring programme officers to guide the beneficiary through a long series of steps involving completion of forms related to contracting and payment. We also noted that the procedures are sometimes inconsistent and depend too much on the reviewing controller or administrative assistant supporting the case at the ILO, who is not involved in the Facility or its decision.

Early outcomes

The Facility's 2009 Annual Report described the TA programme as performing well in relation to the milestones defined in the original proposal to the foundation and the project plan (see the results summary in Appendix D for more information).

Although initially, to control the number of applications, the programme was not widely publicized, certain trends soon became apparent:

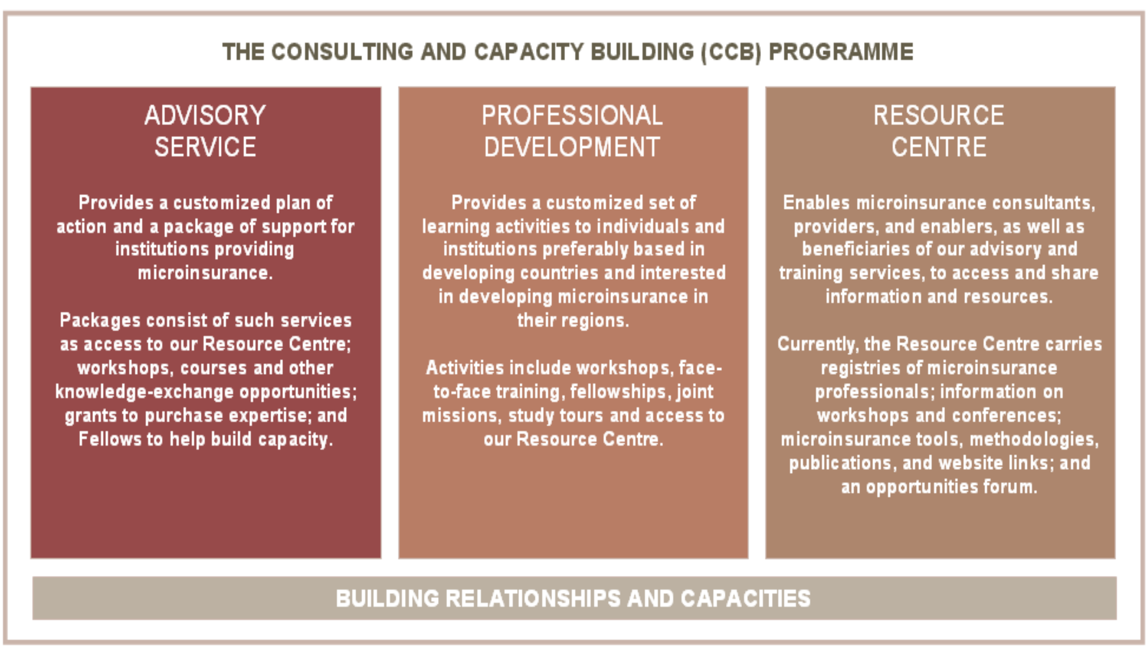
- For the most part, "technical assistance" was an unfamiliar term, so application rates were very low.
- Commercial insurers were briefed about the programme and invited to apply. Not surprisingly, some of those invited were offended, as they felt their capacities were already adequate.
- The organizations that did apply were mostly NGOs planning to initiate or improve microinsurance services but who possessed limited or no insurance capacity. Most of them did not have ready access to donor funding for this purpose.
- Most organizations requiring TA also needed operational support, and in that respect the programme was too limited.
- When the programme was promoted as a precursor to a potential innovation grant, interest increased sharply, but most likely because the motivation was to obtain substantial project funding rather than to improve capacity.
- In R-1 and R-2, a number of rejected innovation grant (IG) applicants who showed significant potential were encouraged to apply for a TA grant – but as soon as they realized what it really was, they turned away, because the grant amount was so small compared to what they had applied for through the IG window. For some, the fact that the grant was channeled to consultants' services turned them away.
- The new promotional marketing of the TA as a precursor to the IG led to TA grants being perceived as a "consolation prize" to rejected IG applicants. To date, the market is still confused about how TA is linked to the Innovations Grant Programme.

Despite these difficulties, some beneficiaries have said that TA has had a definite positive effect on their approach to microinsurance. Select Africa, for example, attributes their ability to develop a business plan and obtain an insurance license in Swaziland to assistance obtained from the TA Programme two years ago. They have now requested longer-term guidance in the form of monthly counseling calls with the Facility, asked that a fellowship programme professional and a microinsurance expert sit on their board, and requested a crash course on practical management of a microinsurance programme. (The Facility should be careful not to get too bogged down with requests such as this, and ensure that it is not taking on a consulting role). This example suggests that the market may be slowly appreciating the value of capacity building, and that non-financial guidance may also be effective in improving the ability of microinsurance providers to serve the low-income market

In 2009 the TA Programme was expanded and repackaged as the Consulting and Capacity Building (CCB) Programme for the following reasons:

- Realization that most organizations needed a more comprehensive package of support services than the one-off intervention offered by the TA Programme.
- A consulting approach would be more effective than the application procedures of the TA Programme. Most applicants needed one-on-one counseling in order to identify their capacity gaps and find out which TA services would be most effective for them. Much of the Facility's capacity building support needed to be channelled to innovation grantees, either through professional fellows or consultants, to increase their chances of success and to assist them in extracting lessons.

Figure 2: The Consulting and Capacity Building Programme



The current CCB Programme starts with consultations with microinsurance providers or professionals to understand their needs. A package of support using suitable tools is then customized, and the support is longer-term than before, with periodic follow-up from the Facility and a final assessment of impact. Although this will mean there are fewer recipients, the new approach provides the type and depth of assistance needed for long-term positive results. The evaluation team lauds this transformation and we consider it a more effective approach.

When the TA Programme made improvements to marketing and to the application process in 2009, there was a mini-surge of applications for TA. Still, according to interviewees, the programme was not as well supported as innovation grants (IGs) within the Facility. When TA was repackaged as CCB, this was not well communicated, nor was it promoted alongside IGs. This changed in R-4 when CCB was presented as one of the new application windows. As a result, 51 CCB applications were received in R-4.

The Fellowship Programme also needed to be modified. Initially when qualified individuals applied, there were usually no hosts lined up and ready, so placement took a while and was sometimes awkward. The process now begins with the host preparing a ToR and a job description, which is then forwarded to qualified fellowship applicants. The host then interviews a shortlist of applicants and selects one. According to the CCB Manager, this works very well.

Engaging the IIE to undertake the human resources tasks of the Fellowship Programme has increased the programme's administrative efficiency tremendously. The IIE provides Fellows with the orientation package, counsels them on issues related to relocation abroad, and contracts them. It disburses their financial support, maintains their expenses records and other documents, and supports them if they run into complications such as visa renewal or health emergencies. The IIE also collects the Fellows' reports for Facility review and provides the official record of fellowship communication. The Facility no longer has to take on all these tasks, so it can focus on technical exchanges with the Fellows.

The Joint Mission programme has become much more popular, supporting 20 missions in 2009 compared to only 3 in 2008 however, according to the Facility, the programme does not work as well as it could. The main problems appear to be:

- According to the CCB Manager, there is only limited interest from mentors. This would indicate that additional incentives are needed.
- Setting up a mission is labor-intensive and somewhat complicated by the coordination and timing of three parties – mentor, participant and mentor's client.
- Matching compatible mentors and joint mission participants (JMP) is not as easy as it may seem; for example, some TA mentors feel threatened when a JMP has superior skills. Others, on the other hand, feel they have wasted time when working with JMPs of limited skills or experience.
- Initially it was envisioned that a handful of consultants would be picked as mentors, but during setup the Facility realized that this limited number would create a bottleneck. It was then decided that all TAPs should be considered as mentors. In practice, however, it was found that not all the TAPs have the time to mentor, nor are they all effective in the mentor role. What is now being planned is mentor training for a selected group of willing and committed TAPs.

Because the CCB programme has expanded rapidly, it now includes not only insurance professionals but also some people with no insurance background and/or development experience. These deficiencies in selection have been identified by the CCB manager who is making efforts to vet JM candidates more effectively. The approach is to assess potential consultants on a more holistic basis, and provide capacity building for those that appear particularly promising – through training, JM participation, and fellowships. Fellowship candidates will be required to attend a joint mission which will help the Facility to assess the candidate's potential. All these steps will help to improve the selection of JM and fellowship candidates.

In line with the Facility as a whole, the CCB Programme has implemented a continuous learning approach, so the programme has already been adjusted because of lessons learned in implementation, and is continually improving. This is a big achievement, given that the CCB Manager is also tasked as a grants officer with geographic and thematic areas of responsibility, and until very recently had ineffective administrative support.

The Lead TA Mentor is also part of the CCB team, and is tasked with providing higher level policy and strategic support. He does provide support to the CCB Manager, though his role has been diluted over time, primarily because being part time and from outside the Facility, he has other activities. He has nevertheless an important role to play, but needs to take into account the issues raised in this evaluation, and focus more on proactively supporting the CCB program.

Recommendations, analysis, and comments for TA grants

The evaluation team interviewed six TA providers (TAPs) and two TA grantees (TAGs) (see Appendix D). We offer the following based on these interviews and what we learned from interviewing the Facility **(**Immediate = I; Near Term = NT; Longer Term = LT; Bold = Recommendation; non-bold = clarifying comment or analysis).

1. **I** - **Where appropriate, the CCB should compel TA grantees to move towards segregation of operations data at the product level so that KPI can be calculated**. It appears that many providers do not capture the right data or segregate data by product – especially insurers, who tend to aggregate their data. As a lessons-based organization, the Facility should promote and collect product data information from all microinsurance implementing programs which it assists.

2. **I** - Joint missions: The value of the Joint Mission programme has been questionable, mainly because of selection criteria and time constraints. **Selection criteria of JM participants and mentors must improve, and only those with real potential to become MI consultants should be selected. The evaluation team recognizes the potential improvement in the program that should result from the new holistic approach which assesses broader needs of potential TA providers and develops more of a capacity building program and eliminates the one-off joint missions.** Better selection and pairing will lead to more positive mentor-participant relationships. Linking the JM Programme to an overall holistic approach, as the CCB plans to do, will also be an important improvement. In some cases JM participants have contributed extensively to project outputs, and reduced the workload on their mentors. It is clear that several JM participants have benefited from the JM programme, as evidenced by improved consulting skills, links with MI consulting groups, or general continued MI consulting.

3. **NT - The Facility should pay the TAP directly after the TAP's service is completed and the grantee has submitted the evaluation.** Under the current system, the consumers of TA pay the suppliers. The idea, as the Facility Team Leader describes it, is to create a market for TA. However from the perspective of the TAP, the current system is very unfair to the TAP: there are risks of not being paid and in some cases, there are additional tax liabilities. We feel that while for large insurers the current approach may yield the desired outcome of creating a market for TA, the reality is that

the majority of organizations cannot afford TA at market rates. Such organizations thus have to seek donor money to finance the TAP's services in which case the donors (usually) deal directly with the TAP. The current system penalizes the TAP and should be changed.

4. **LT – To find out whether the CCB is actually supporting valuable and scalable products, a more in-depth study is needed. We recommend that this be done, but not before 2011, as a large number of MI programs being supported are still in their pilot phase and have not yet stabilized or realized the benefits of TA intervention**. The study need not be an expensive undertaking and can probably be done using a carefully designed survey, which should include analyses of the financial statements of the MI programs.

   Part of our evaluation aimed at finding out whether the right kind of TA grantees are being supported – grantees with potential for sustainability, whose products are valuable to consumers. KPIs are promoted by most of the TAPs interviewed, but it has not yet been possible to determine whether or not the products show value for money. Similarly, the majority of programs being supported show potential for sustainability and reaching scale, but the reality will only become apparent in 12 to 24 months.

5. **LT - The TAPs need feedback in order to gauge the quality of their services; they would value input from CCB officers who are in a position to compare projects.** There is a feeling among some TAPs that their reports fall into a sinkhole and are never read. They could benefit from discussions with CCB officers, and linkages to similar projects, other donors, and potential resources.

6. **LT – The Facility could intervene more to help the TAPs understand cultural barriers and provide more assistance and preparation for the more challenging projects and grantees**.

7. **NT** - **In some cases, it may be better not to intervene at all than to fund only a small fraction of capacity requirements.** The CCB grants are very small. Given that many of the grantees also need initial funding for operations, the Facility should coordinate with other donors operating in their respective countries and point CCB grantees towards alternative funding. If an MI program cannot take off without additional funding, the Facility's resources are being wasted.

Comments, analysis and recommendations for the Fellowship Programme

The evaluation team conducted seven interviews related to the Fellowship Programme: three Fellows, two hosting organizations, the IIE (see Appendix D) and the CCB Manager. We realized from these interviews that the Fellowship Programme is more complex to manage than an employer-employee relationship, in a number of ways. There are more parties involved, and distance, language and cultural barriers complicate the relationship further. To work well, the Fellowship Programme needs mature, psychologically robust, competent and professional applicants who, although we assume they will be adaptable, will need close monitoring and expert guidance from the host, Facility, and the mentors.

Eight of the current fourteen fellowships are hosted by innovation grantees, so these would be monitored closely by the Facility. Of the remaining six fellowships, three hosts have other relationships with the Facility (two are represented on the Steering Committee) while the other three do not. Unlike TA grants, where the Facility does not manage the provider-grantee relationship, the Fellowship Programme requires close relationship management. This is difficult considering the Facility is not a specialized human resources organization. It is further challenged by obstructions set up by the ILO's legal department, which is more inclined to police than to facilitate.

In spite of four early terminations, there are indications that, overall; the Fellowship Programme is achieving some success in developing TA providers. When Fellows and hosts are properly matched, there is significant benefit for both parties. The Fellow is able to transform his or her knowledge and experience to fit the needs of microinsurance, and the host has an in-house consultant for up to one year. Again when there is a good fit, there are significant benefits to both parties, and often the Fellow is seen to come out of the programme with excellent practical skills that would not have been developed with short consultancies or classes.

There is of course room for improvement. These are our recommendations, some of which are already being considered by the Facility:

1. **I - The CCB Manager and the Lead TA Mentor need to assess the outcomes of the Fellowship Programme thus far in order to improve selection and partnering criteria, and to reassess realistic volumes to ensure effective quality.** Although this may lead to some requesting hosts and potential Fellows being rejected by the programme, it will enhance the potential for win-win placements.

2. **I –Complete the Fellowship Handbook, adding policies for Fellow and partner selection and management.**

3. **NT – Implement some type of enforceable contract between the Facility and the host.** This is already being considered by the CCB Manager, and it should be pursued, as it would compel the host to be more aware of and fulfill its obligations. However, it is not possible to sign such agreements for these fellowships within the current ILO structure, and thus a "work-around" would need to be found.

4. **NT – Orient first time mentors and spell out their responsibilities more clearly. At the same time consider additional remuneration of the mentors, or other benefits for them**. There is already a plan to develop mentor training; this should be prioritized so that it can be completed in 2010. For this to be successful, however, there would have to be clear incentives to mentors, who already tend to spend significant time supporting, perhaps even subsidizing the Fellowship Programme. Some mentors communicate with "their" Fellows as often as once a day.

5. **LT – Consider other mechanisms to develop local microinsurance professionals including a different set of selection criteria** (see recommendation below on local resource centers). While the aim to develop local microinsurance professionals is commendable, suitable profiles are difficult to find. However, almost all Fellows are currently from the "north". It should be a priority to build the capacity of "southern" consultants, which would be more cost effective for local microinsurers. As a guide the Facility should work towards 75% southern Fellows.

6. **LT - The template for interim reporting should be redesigned so that lessons related to professional development, capacity building, and microinsurance operations can be captured in one central place.**

A further point: according to the IIE, while the CCB Manager is doing a great job overall, given the rapid development and deployment of the Fellowship Programme, she is too closely and personally involved with the programme, which is not sustainable for her. If the Fellowship Handbook were completed, this would result in clearer policies for all concerned, and should enable her to be less personally involved.

Strategic recommendations for the CCB Programme

Regarding the CCB Programme, we believe that the Facility needs to take a step back and remind itself of its overall purpose. Its main objective, as stated in the original proposal to the foundation, was a massive increase in microinsurance outreach around the world, together with improved values of consumer protection. The generating of lessons is not intended for the sake of learning per se – it is about implementing learnings towards this larger objective. Although the budget may not currently reflect this, the capacity building component is every bit as important as promoting new innovations. Accordingly, it deserves the same status and focus within the Facility as the Grants Programme. As the Facility Team Leader has put it, there is little point in generating new lessons if there is not enough capacity building support to implement them.

We strongly agree with the CCB Manager that the CCB Programme should develop regional hubs of expertise. This is a significant challenge as there are few, if any, microinsurance institutions with a comprehensive regional structure. If such organizations can be identified and promoted, this could be an efficient route to building up local and regional capacity.

1. **NT - Develop local resource centers.** This is the Facility's own recommendation, which we completely agree with. This strategy may take a variety of forms, but we suggest that it at least contain the following elements:
    - Ideally the Facility should partner with locally owned, politically neutral and independent organizations that preferably (to sharpen focus) have a singular mission of supporting microinsurance industry development within their country or region.
    - Develop the capacity of the partner to operate on a self-sustaining basis (by charging fees for its services and/or by external funding) in the following areas:
        a. Provide technical services to establish and support programmes, develop products and conduct training, based on local demand and established best practices.
        b. Promote and support fundamental capacity principles such as data separation and collection, investment management, calculating and funding of actuarial reserves, and the use of KPI for management excellence.
        c. Collect, store, and manage operations data (data warehousing) for conducting industry research, pricing, and product development.
        d. Document and disseminate lessons.

Regional microinsurance resource centers
A number of regional microinsurance resource centers are already operating in several countries. One example is RIMANSI based in the Philippines, which was set up in 2005 by a group of MFIs all of which wanted technical assistance. RIMANSI was mandated to assist each MFI to develop its own micro-MBA (mutual benefit association) and to make considerable efforts to lobby government to develop favourable microinsurance policies. RIMANSI currently operates in the Philippines, Cambodia, Vietnam, and Indonesia. One problem with RIMANSI is its bias – it exclusively promotes the MBA institutional model based on CARD-MBA technology. Locally, it is strongly perceived as an affiliate of CARD. Another problem is that its broader mandate of policy development dilutes its technical focus and depletes its resources. Other examples of regional centres are CIRM, MIA, and MIRC, all based in India. CIRM (Center for Insurance and Risk Management) is a Facility grantee, Steering Committee member, fellowship host, and partner. It is one of six specialized centres associated with the Institute of Financial Management and Research (IFMR), a government Social Science Research Organization started with an endowment from the Indian national banking sector.[10] As such, CIRM is neither independent nor neutral, and therefore would not receive the trust and broad support that it would need from the entire industry. MIA (Microinsurance Academy) in Delhi is an academically oriented institution which conducts excellent research but lacks operational expertise and focus. MIRC (Microinsurance Resource Center) in Hyderabad is member-based like RIMANSI, but has suffered some mismanagement problems and lacks appropriate funding to develop its own capacity and momentum. MIRC has a mission similar to the one recommended above for local resource centres. In addition, ILO and GTZ have also set up some support centers in the past, both in India and Africa. The evaluation team does not have information on those.

As mentioned, there were two inherent problems with how the CCB programme was positioned in the past:

- It was viewed as a "consolation prize" if a grantee was rejected for the more prestigious innovation grant; and
- Beneficiaries tended to perceive a TA grant as a statement about gaps in their abilities. Often gaps did in fact need to be addressed, but in basic operational effectiveness functions, not directly related to the "innovative" project for which they are applying.

Recognizing and commending the improvements already made to the CCB programme, we believe that capacity building may still not be viewed as positively as it should be in the marketplace. One way to improve on this is to establish a certification programme:

- **LT – Establish a certification programme similar to ISO 9001.** This would have numerous benefits, including: Introducing an internationally recognized standard that defines the minimum requirements (or best practices) for microinsurers and others in the microinsurance arena. Useable by any organization to establish, document and effectively implement the minimum standards. Ensuring that customer expectations are identified and met. Providing a way for a company to brand and market itself as a superior microinsurance provider.
- Providing those organizations that have gone through the process with evidence that they meet best practice standards.
- Serving as a barometer that a company is serious and thoughtful about providing microinsurance products to the working poor. Providing consistency and quality in

[10] From the Facility website

the marketplace. Driving demand for TA resources in a beneficial way – capacity building promoted as a way to help a program achieve excellent standards rather than to mend its gaps.

Developing a certification programme of this nature would be a long-term undertaking (culminating well beyond 2012) and we recognize that current funding may not be allocated for it. The Facility could, however, initiate the idea and lead the development of the concept within the microinsurance industry. In the long run, it would boost the Facility's brand and help to shed a more positive light on capacity building as a whole.

Research and Dissemination

Background of the Learning Agenda

The learning agenda of the Facility was well grounded in a strategy document developed in conjunction with EUDN (European Development Research Network), primarily through the contributions of Professor Stefan Dercon of Oxford University. EUDN is the "brain trust" of the Facility's Research Programme, and its contributions have had a significant impact on the learning agenda.

The document, *Research Strategy 2008-2012*, outlines the Facility's Research Programme and identifies two areas: gaps in knowledge and principal research questions. The research questions cluster around three primary issues:

1. ***Client Value and Impact:*** Assessing the potential benefits and impact of insurance on reducing the vulnerability of low-income men and women with the goal of understanding to what extent the working poor can benefit from insurance as a risk management tool.

2. ***Demand:*** Identifying good practices to stimulate demand and build an insurance culture, as well as examples of valuable products delivered through efficient and high-outreach institutional models.

3. ***Supply:*** Understanding why certain solutions work and why others do not, with reference to both clients and providers.

The Research Programme

Although Research is only one pillar of the Facility's four-pillar structure, its influence over the learning agenda extends throughout the Facility's activities. The main goal of the Research Programme is to "learn and document how to improve risk management options by providing better insurance coverage to large numbers of low income persons. The Facility aims to use this new knowledge to influence policy and practice to push further the microinsurance frontier"[11].

The Research Programme comprises a Research Officer (Michal Matul) and a new Knowledge Management Officer (Jasmin Suministrado). [12] The programme is ambitious and its goals call for various types of research including: 1) action research with the Facility's innovation grantees,

[11] ILO Microinsurance Innovation Facility Research Strategy 2008-2012

[12] Although Michal Matul's primary role is Research Officer, he still work with some grantees in a grant officer capacity.

2) longitudinal household impact studies, 3) research grants, 4) thematic studies and 5) research partnerships. These research topics address impact, demand and supply, and are extensive.[13] The Research Officer has struggled through a steep learning curve covering a variety of these issues, and is now well versed in research protocols, methodologies, and thematic topics around microinsurance. He understands both the academic questions and the pragmatic challenges of microinsurance. According to Professor Dercon, the Research Officer's analytical capacity is at a level where he can contribute to research directly.

While action research seeks to find pragmatic solutions to microinsurance questions, academic research is focused more on long-term policy. The two approaches cover similar territory but in different ways. Academic research makes used of controlled environments to test specific questions, such as willingness to pay for health insurance, or the impact of health insurance on health service utilization. Such results can influence donor and policymaker decisions about health insurance initiatives, but have limited practical application for practitioners designing health insurance programmes in the field. On the other hand, action research looks at pragmatic issues – for example, studying the price sensitivity of the market. This information is useful for practitioners, but may not have enough rigor to convince donors and policymakers to support health insurance products.

The Research Unit of the Facility maintains a relationship with EUDN that gives it access to academics who have theoretical understanding of microinsurance and who are motivated to promote risk and microinsurance issues to policymakers. The Facility calls on EUDN mainly to support its research grants, including longitudinal studies. The Research Officer also interacts with the EUDN coordinator and other professors to help inform the learning agenda and action research plans for innovation grants as well as for help in selecting themes for thematic research studies.

While the EUDN relationship has proved essential for informing the Research Unit on relevant methodological and thematic issues, it has probably led to the development of an excessively ambitious research agenda. The current research agenda tends to lean away from "how to" lessons more typical of action research (exemplified by the Innovation Grant action research) and more toward "why or why not microinsurance" lessons that are better framed by academic research.

The majority of the early action research lessons available from grantee projects have been ***process*** lessons (related to the "how to" of setting up a microinsurance program) rather than ***outcome*** lessons (related to the results and impact of a program). Process lessons can pave the way for future programs to move forward more quickly. For example, the AKAM project in northern Pakistan has learned (and has shared in conferences) that there is significant adverse selection as well as moral hazard in offering broad coverage of health, including maternity coverage. This information could be used as a starting point for tracking additional lessons in the Facility's upcoming health projects.

Academic Research Grants

The Facility and EUDN coordinate the research grant review and award process, and monitor research grants and the peer review process for the final academic papers. This ensures that final products have sufficient rigor to influence academic and policy circles. Small research

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[13] Detailed methodology and questions are described in the ILO Microinsurance Innovation Facility's *Research Strategy 2008-2012*. This document is available on the website.

grants (40 grants of USD10,000 or less) are divided among two types of researchers: those from developed countries who work within relatively small academic circles and those from developing countries who have a solid reputation at the country level but not necessarily internationally. There is some tension between the goal of supporting local researchers, who are seen as less qualified, and the need for lessons that are extracted and analyzed with sufficient rigor to influence policy.

The small size of research grants is a constraint to the pace of research. The Facility's contribution may only be sufficient to leverage ongoing research that already has existing funding, and this limits the influence of the Facility on the research agenda and on deadlines. The most useful leverage in the research grants is the contracting of prestigious academics from EUDN to work with researchers and review papers. Input from names like Stefan Dercon elevates the prestige of research activity and motivates academics to do their hardest work.

Although EUDN receives a USD50,000 annual budget to cover the administration of the Research Programme and some of the time of academics, its incentive is not compensation. The real incentive is the opportunity afforded to academics to leverage donor-funded initiatives to attract the attention of policymakers, and identify opportunities for publishable papers or field-based research topics for graduate students.

This incentive is real and effective, but it operates on different timelines than those of the Facility. A research paper completed in mid-2010 will be submitted for peer review, which could take until well into 2011. Only some time after that, between late 2011 to 2012, would the paper be posted on the Facility's website. Such delayed dissemination has limited impact on influencing policy, and the academic nature of the final research reports limit the impact on practitioners. Conference participation and journal publication might be essential to getting research lessons in front of policy makers; however, this will not likely begin until two or three years after the research has been completed.

Academic research is essential to the development of policy in the area of microinsurance, but the Facility's role in funding it is questionable. Small grants may lead to research papers not rigorous enough for policymakers, or research papers not be finished within the timeframe the Facility had hoped for. Longer and larger longitudinal studies may have greater impact on policymakers, but are typically underfunded.

On the other hand, practitioners have a hard time digesting academic research, so the Facility's role could well be better focused on interpreting existing academic research for the microinsurance community.

There is a disconnect between the objectives of the research grants and the questions of many of the stakeholders in the industry. This disconnect is not only related to the research topics, but even more importantly to the targeted audience. For example, an academic researcher may be interested in understanding how families manage their risk. The outcomes of his or her research may include recommendations regarding the use of livestock in risk management, or suggestions about the types of risks that families are not able to manage. This information can be useful to policymakers who want to identify and validate demand for risk management products. It might influence their support for programmes aimed at broadening access to risk management services, including insurance.

Academic type of information may not necessarily be useful, or easy to interpret, for the community of practitioners in the field. This audience would more be interested in the lessons that come from action research. In this example, an insurer might well approach the same topic with a different set of questions, such as: Which products it can offer to best support families' risk management strategies? How these can reach scale? What issues need to be addressed in implementation?

Unless it distils research lessons into manageable material for practitioners, the Research Programme risks being too abstract and long term to mesh with the main goals of the Facility. At the moment it is just too ambitious in relation to the funds available to support it. The Research Officer estimates that approximately 15 percent of his time is dedicated to research grants. This will likely increase as publication drafts begin to trickle in over the coming six to ten months. Leaving aside his responsibilities as grant officer, it means that the Research Programme is diverting limited human resources from the Facility's primary research agenda, and diluting its efforts to generate lessons from the action research.

In summary, the Research Grants are very important to the industry, but not necessarily a "fit" for the core market and technical capacity of the Facility. The relationship with EUDN has benefited the Facility in helping to frame broad questions, and could benefit the Facility in the future in helping to give academic credibility to its research. But coming back to the Facility's overall goals, we believe that the time and resources of the research pillar of the project should be dedicated to distilling lessons that are manageable and useful for practitioners. This can be done without directly funding academic research.

Action Research: Innovation Grants

The objective of action research as applied to innovation grants is to "learn how to expand access to valuable products in an efficient way, to learn how to overcome demand challenges and develop an insurance culture among the poor, and to understand the extent to which the working poor can benefit from insurance as a risk management tool."[14]

To date, however, the Facility has not disseminated any lessons from its innovation grants. This has been a significant bottleneck for the advancement of the existing grantees as well as other projects worldwide that might benefit from the lessons learned. Field visits to grantees as well as other FSP grantees (AKAM and MicroEnsure) reveal that many of the mistakes – in setting up a microinsurance program, in designing products, and in developing marketing materials – were being repeated. These field operations would have benefited from information about other experiences, both positive and negative.

The Facility contracts and directly produces action research with the help of grant officers and outside consultants, who collect information and participate in its analysis. Our view is that the quantity of information available to the Facility would be better analyzed, documented, and disseminated if the Research Officer were dedicated completely to these in-house research functions, with the support of outside consultants and potentially additional staff. This strategy is going to require focus to be effective. As already pointed out, the current grant management functions of the Research Officer are a drain on his time, making it difficult for him to prioritize more pragmatic lessons that should be documented.

The Facility has been waiting for lessons on the ***outcomes*** of the innovation grants rather than collecting and sharing the "how to" lessons from the ***process*** of the programmes in place. Yet "how to" lessons are clearly a key goal of the action research programme as described above.

[14] ILO Microinsurance Innovation Facility: Learning Agenda and Action Research

While the Facility sees lessons as inconclusive due to a lack of outputs, the evaluation team was able to pick up a significant number of important lessons directly from field visits and by reviewing literature and publications about grantees outside of the Facility's distribution channels.

Grant officers for the most part agree that important process lessons have emerged from grantees. Some examples:

- Multi-stakeholder projects are delayed, stalled or significantly hampered when not enough time is spent in the beginning ensuring stakeholder buy-in. Thus stakeholder workshops and meetings with senior management and boards are essential first steps in these types of programs.
- There is a definite cultural problem with insurance companies not understanding microinsurance or the needs of the poor.
- Insurers need more support on distribution and sales and need to know how to approach these aspects in a microinsurance context (a good example is CIC in Kenya).

Grant Proposal-level constraints

The Facility has recognized that its inability to publish lessons stems in part from weak plans for learning management imbedded in the early grants (R-1 & R-2). This has stimulated a revision of the process for identifying, capturing, consolidating and distributing lessons. In general, Facility staff feel that grantees are not putting sufficient time into thinking through learning agendas in their proposals, and this component is typically under budgeted. It seems that, regarding their budgets, the learning agenda is somewhat discretionary. Grant officers have said that grantees adjust funds for learning agendas arbitrarily to round off overall budget numbers. It is not surprising that there are difficulties when the Facility demands lessons and information from grantees.

Beginning with R-3, the Facility has put in place a systematic procedure to collect learnings from grantees, using a new research/knowledge management framework to address some of the bottlenecks in the process of collecting learnings. The process includes identifying projects most likely to provide learning. It also includes assigning a learning coordinator (often external) to support grantees in setting up learning agendas, collecting lessons, and providing analysis and documentation of the lessons. For R-3 and R-4, learning agendas are to be developed by coordination between the grantees and the research officer. These adjustments should improve rigor about the process of extracting lessons, even if they mean additional burdens for grantees.

We believe that consideration should be given to excluding lessons generation, and possibly also the development of learning agendas, from the grant proposal process. Instead, the Facility should ask only for a commitment to share learnings. Tracking of activities through grant officers with simple monitoring tools will allow the research team to identify opportunities to study cases and activities in depth. Budgets can then be allocated for the study of specific lessons needing to be pursued.

Lessons Management Process

The Facility is well positioned to be a knowledge management center for microinsurance. It has strong brand recognition and a staff with a broad understanding of the topic (in several interviews, respondents referred to the Facility as researchers or experts). In assessing the feasibility of the Facility to become a strong "Lessons Factory", we identified additional bottlenecks at various stages of the process of the Facility's learning agenda that are not likely to be resolved with the new learning/knowledge management process. These bottlenecks concern the collection, tracking, analyzing, documentation and dissemination of lessons (see Figure 4 in Appendix E) – each stage losing effectiveness because of the bottlenecks.

The Facility is the only active FSP grant in microinsurance with a specific learning mandate. Its branding as a thought leader in the industry positions it well to be a Lessons Factory, not only for its own grantees but for other foundation grants and potentially beyond (the Lessons Management Paper written as part of this project includes a more extensive discussion). But to become a Lessons Factory, the Facility must be prepared and be willing to shift its processes and staff responsibilities to achieve this new role, and to address the following bottlenecks in its own lessons management process:

Collection

Much of the bottleneck related to the management of lessons at the Facility is related to the collection of information. Even though there has been much focus on this component, it has produced limited outputs.

The primary mechanism for drawing lessons from grantees is through grant officers, because they are the ones who have regular contact with grantees. Overall, grantees have been transparent in their communication with grant officers; however, they do not always understand or see value in the questions they are meant to respond to. The Facility relies on periodic progress reports from the grantees that include information about their learning agendas. Despite the effort to collect large amounts of information, some information is still not reported. During a recent interview with a grantee, the project manager discussed various lessons and thoughts that were not included in the most recent progress report to the Facility. The grantee felt that they "hadn't been processed enough" to bring up in the progress report.

In thinking about extracting lessons, the Facility needs be sensitive to the time and priorities of grantees, and not insist on unnecessary information that is perceived by the grantee as a waste of time. Local insurers in South Africa (Hollard) and the Philippines (Pioneer) have complained that the Facility has requested information that is confidential, contains business secrets and is intrusive. Detailed information of this sort can be collected on one-off occasions but should not be expected from all grantees on a regular and frequent basis. And if it is not analyzed and disseminated in a useful way, the exercise seems especially pointless.

Information collection will be more orderly from now on, because the Facility is dedicating more time and resources to a regular process through its new research/knowledge framework. Simpler collection of limited yet valuable KPIs and basic information sufficient for grant management will be collected from grantees. When research opportunities are identified, researchers can be assigned to spend more time collecting information for relevant analysis.

Tracking

Another bottleneck is that of ***tracking*** lessons. Grant officers do not have a repository for storing information and lessons learned by grantees – they tend instead to commit their impressions to memory. The Research Officer has a tool for tracking expected lessons, and has begun to list in each column lessons that have emerged, but these are not comparable across projects. The table below provides an example of a simple tool that may help track lessons and the outcomes of hypotheses across grantees relatively simply.

Sample tool for collecting baseline lessons

Hypotheses (examples)	Grantee 1	Grantee 2	Grantee 3
Essential to ensure stakeholder buy in from the start of a programme		√	
Maternity coverage leads to excessive adverse selection	√		√
Incentives for sales need to be higher with non-MFI delivery channels than with MFIs		√	√
Etc…			

Analysis

One of the main bottlenecks around the quality and quantity of analysis of grantees is bias. The Facility staff relies heavily on the development of close relationships of trust with grantees, and staff are willing and able to overcome seemingly insurmountable administrative hurdles for them. The other side of this strong loyalty and trust is that Facility staff can be reluctant to look critically at their grantees. Grant Officers in particular seem reluctant to "air the dirty laundry" of grantees because they rely on relationships of trust and confidence to ensure their effectiveness in grant management. The Research Officer and Knowledge Officer are less partial, but they are not specialist in microinsurance and should not carry the essential aspect of analysis on their own.

An additional primary constraint to providing solid analysis and lessons has been resources. The Research Officer has only recently taken on the task of developing a framework for improving the process of collecting and analyzing grantee action research, linking in with the new Knowledge Officer for its dissemination. These processes suggest an opportunity for the Facility to strengthen its research and knowledge areas and to position itself as a "Lessons Factory" for microinsurance.

Documentation

The documentation of research outputs is one of the more sensitive issues at the Facility. As we have already mentioned, the Facility decided in the past to publish the results of learnings only when ***outcomes*** come to light. This decision left the microinsurance industry with a knowledge gap about operational issues and best practices already emerging from the field. For example, a donor who wants to support microinsurance told us that he was determined not to fund mandatory insurance programmes – not because of any evidence, but because of a "gut instinct" that forcing people to pay into something is coercive. The Facility could have told him that the "lesson" from its projects was that "we still don't know whether there is a value in mandatory programme."[15] It is risky to leave a major stakeholder like this with such an important gap in information. It hinders one of the foundation's main goals, which is to catalyze involvement of others in the industry.

The learning agenda is expected to produce a series of papers – thematic papers (including on technology and on women and microinsurance), 10 case studies from innovation grantees, and short briefing notes, which summarize these). Additional products are being considered. While

[15] This point is noted in the Compendium and in the regular PowerPoint presentations of the Team Leader. That it still remains an "unknown" to some donors exemplifies the issue of getting people to understand and apply the lessons that are being learned.

these types of documents are useful, they are too extensive for many stakeholders in the industry. One role of a Lessons Factory could be to turn both action research and academic research into digestible summaries for the industry. It would produce a range of products, including one-on-one delivery of information, presentations through workshops and conferences, and discussions with media, regulators, and industry associations in local markets.

Dissemination

According to our online survey of over 100 microinsurance stakeholders, no organization is effectively concentrating information for the Facility's core audience or its broader audience. This is an opportunity for the Facility to take advantage of a gap in the market and position itself as a Lessons Factory and an information center for the industry.

Microinsurance stakeholders range from public and private insurers to reinsurers, NGOs, microfinance institutions, various distribution channels, regulators, donors, policymakers and researchers among others. A dissemination strategy for this diverse industry must be just as diverse. The Facility has experimented with its own tiered strategy for communications, aiming to create a sphere of influence with a core audience (which includes insurers, MFIs, NGOs, trade unions, associations, and member-based organizations) and extending a broader message to a broader group including IT providers, phone companies, TA providers, regulators, media, policy makers and donors. Its communications goal of becoming a "credible actor that can be trusted for information" has been largely achieved. As a principle "client" of the Facility, with an enormous vested interest in its success, the foundation should be at the core of any dissemination strategy.

Specific channels would need to be developed to communicate information to the foundation more regularly and consistently. The questions that are critical to the foundation should be clarified by the Facility and incorporated into its research priorities.

The new Knowledge Management Officer should be tasked to segment the databases of the Facility's audience and to categorize the specific needs of each segment based on a market study of their questions and information needs. The online survey undertaken during this evaluation can serve as a good starting point. This task will need a thorough analysis of the needs of the target audience; otherwise the results may be too technology-heavy and costly for the traffic expected.

To date, the Facility has used its dissemination tools (website, annual report, and newsletters) primarily for marketing purposes, to provide descriptive information about its grantees. These tools need to be revisited if they are to attract more usage. Currently traffic is relatively low, with the Facility's website receiving an average 1,832 unique visitors per month[16] (compared to 2,244 for AKDN, 695 for ME). Changes can be made to the website that would allow, for example, easier searches by topic, region, or country. Research abstracts should be posted clearly upfront, linking to longer papers. Useful and interesting lessons should be posted sooner rather than later.

Conference participation organized by the Facility has been more content driven, but limited by the number of people who can afford to attend conferences. Our online survey and interviews with stakeholders show that most stakeholders value face-to-face contact, so this activity should be promoted. Promoting interesting lessons directly to influential stakeholders through one-on-

[16] Based on average unique monthly visitors for 14 months (Feb 2009 - March 2010)

one interaction can sometimes be more effective than spreading a message broadly through social media.

<u>Research and Dissemination Recommendations</u> (I – Immediate; NT = Near Term; LT = Longer Term; Bold = Recommendation; non-bold = clarifying comment)

1. **I – The Facility must spend time and resources in 2011 and 2012 distilling lessons from academic research into information that is manageable and useful for practitioners.** This will bring the Research Programme into line with the Facility's goals.
2. **NT – Consideration should be given to excluding the budgeting for lessons (and possibly also the budgeting for the development of learning agendas) from the grant proposal process**. Instead, the Facility could ask only for a commitment from grantees to share learnings, rather than specifying a research plan. This would involve the provision of basic KPIs and a commitment to provide external researchers with access to their programmes and clients (with limitations to protect confidential business practices) should the Facility choose to undertake specific research of their program.
3. **NT – Collection – The Facility should focus on collecting a limited number of common data points (KPIs) and general lessons on a regular basis that can feed into a broader tracking tool to identify research topics**. Additional research can then include in-depth interviews and quantitative analysis of grantees on a one-off basis and less frequently. Only this type of information (KPIs and general lessons) should be compiled by all 50 grantees, because it is expected to be shared consistently and regularly. All other information should be collected on a case-by-case basis by in-depth interviews, when the research team identifies a specific topic. Topics should not be limited only to programmatic case studies and pre-determined themes, but should include cross country and cross product themes and issues.
4. **LT - Tracking – A basic internal tool for grant officers to track the multitudes of lessons generated from grantees should be used to provide a baseline and ongoing tracking system for researchers to build from and identify topics of interest for future analysis and documentation.**
5. **I – Analysis – the Facility should be accountable to an independent review committee (not the Steering Committee)**. There is a conflict of interest in using grants officers and senior management to provide most of the analysis, and there is limited capacity at the research level to analyze lessons.
6. **I - A Lessons Factory should be set up within the Facility, which could provide analysis of other FSP grants as well as of the grant programs of other donors**. In order for the "Lessons Factory" concept to work, the Facility needs to boost its research capacity, work with outside experts seen as unbiased, and develop a compelling strategic plan that leverages both the work developed with EUDN and the lessons from grantees.
7. **I - The Facility should commission a baseline catalogue of existing lessons including high level questions of impact, but also more specific issues related to coverage, processes, and marketing strategies in the industry.** This would complement the literature review, and should include lessons from TA grants, FSP grantees and other industry activities. The research mandate should include ongoing analysis of these lessons and should commit to documenting learnings from innovation grantees to ensure that research is building from existing lessons. Internal resources will not be sufficient to implement this level of work, so the Facility should reach out to non-academic researchers with journalistic qualities and a strong understanding of microinsurance to help it think through some of the new and recurring issues that are arising in microinsurance.
8. **NT - Documentation – A key role of a Lessons Factory could be turning both action research and academic research into digestible summaries for the industry.**

Products should be envisioned in a variety of forms, including one-on-one delivery of information, presentations through workshops and conferences and discussions with key stakeholders and informants (media, regulators, industry associations) in local markets.

Dissemination

- **I - The Knowledge Management Officer should be tasked to create databases of potential audiences for the Facility and to categorize the specific needs of each segment.** A thorough analysis of the needs of the target audience is needed, otherwise the results may be too technology-heavy (and hence costly) for the traffic expected. Close rapport with key stakeholders to collect short summaries and headlines will reach the microinsurance community effectively.
- **LT – The Facility should focus its dissemination strategy on branding its leadership and expertise, and that of its partners.**
- **LT – If it invests in becoming a Lessons Factory and develops instruments for the production and dissemination of lessons to its various stakeholders in the microinsurance industry, the Facility should not limit this structure to its innovation grantees, but set it up with a longer term vision and plan.** The vision should incorporate other FSP grantees as well as grantees of other donors and microinsurance practitioners in general. There are some concerns that the Facility's existing structure would bias learning, as most of the staff is naturally vested in promoting the success of its grantees. The Facility would need to make a clear separation between its various functions and its accountability to ensure confidence in the research and analysis.

The Steering Committee

The Steering Committee convenes four times a year – twice in person and twice via phone. The committee is responsible for: 1) providing broad strategic advice on how to effectively deploy funds toward the Facility's objectives; 2) promoting the activities of the Facility and the resulting lessons; and 3) recommending grant recipients. From a practical perspective the third issue takes up most of the committee's time and attention.

Structurally, some members of the committee are volunteers, while others are reimbursed for their time and expenses. Reimbursed members have signed a ToR that was implemented two years ago when the committee was formed. Voluntary members have not signed a ToR.

Overall, there is appropriate due diligence by committee members so that they are prepared for meetings (although Facility management believe some members could be better prepared). The voting in the meetings has served to improve consistency and quality of decision making.

Steering committee discussions sometimes tend to focus on innovation for innovation's sake and on whether a project is right or perfect. The discussion needs to be reframed around how a given project will provide better value to the poor. This may allow more consideration for projects viewed as more conservative. We recommend that a chart similar to the one on page 42 (Sample tool for collecting lessons) be used when reviewing grantees to determine where there are gaps.

A concern on the Steering Committee is that, in spite of their stated role, members are not confident that they actually have decision-making power, and believe their decisions are considered as recommendations only. In practice, members state that the chair, Craig Churchill, drives the agenda without their participation and thus limits their role in "steering" the Facility. They also say that some decisions are not as transparent as they could be – such as how research papers and thematic papers are decided, or how grantees support the learning agenda, or how some final grant decisions are arrived at. It would benefit not only committee members but also the Facility to look for a new committee chair – someone independent, with strong insurance operational experience, preferably with microinsurance.

Because the committee is made up of individuals with different perspectives and expertise, there is healthy discussion during committee meetings. However, while there are insurance representatives on the committee, various people interviewed felt that the committee was not well represented by insurance practitioners *with operational experience*. This would give the committee a solid perspective on implementation and the challenges associated with it (see Appendix F).

An advisory group of technical experts provides feedback to the Steering Committee on technical issues, but they do not attend Steering Committee meetings. It would be helpful to invite them attend those portions of meetings that relate to technical aspects of grants for which they have provided input, in order for the committee to fully and accurately discuss and vet grantees. This would enrich the technical discussion and lend more voices and ideas to the process. We are not recommending that this advisory group become part of the committee, just that they attend the relevant portion of the discussion.

The Steering Committee has primarily served as a grant application review group, but it believes it is capable of serving a broader role. It would like to be involved in looking at the management of the Facility as well as issues such as the CCB programme, and the focus of learnings. In particular it needs to shift focus to two other areas (as outlined in the ToR):

1. Strategy. Many committee members want to be involved in strategic discussions concerning the future of the Facility, not only because of how it needs to be positioned, but also to address critical questions arising from grantees. Although this dimension is included as a responsibility in the ToR, the evaluation team supports the expansion of this role in practice.

2. Learning agenda. It is important for the Steering Committee to see what is being done by grantees and be aware of information coming back from them. The committee would like to know what grantees are learning and how successful they are with their implementation.

As part of the near-term assessment, it needs to be determined whether the Steering Committee should be repositioned as a board of directors and, if so, what structure this should take. A board structure may make it possible to attract more “blue ribbon panel” members that could have a game changing effect. Stronger governance of the Facility could help it move away from ILO governance and reporting to the ILO treasurer. A restructured and empowered board of directors would be a necessary step.

Steering Committee Recommendations (Immediate = I, Near Term = NT, Longer Term = LT)

1. I - Review the roles of the committee and the committee chair in an upcoming meeting.
2. I - Expand the role of the Steering Committee in practice to address more strategic issues and ensure progress towards the full range of grant and foundation objectives.
3. NT - Select a chair, preferably with insurance operational experience, from outside the current committee members – someone who is viewed as impartial.
4. NT - Recruit Steering Committee members with expertise in insurance technology and consumer education (see Appendix F). To avoid potential conflicts it would be best to recruit people who are viewed as independent.
5. LT - Consider the possibility of transforming the Steering Committee into a Board of Directors, with the view towards moving the Facility out of the ILO.
6. LT - Invite advisory team members to meetings where their expertise would result in richer, more informed discussions.

Relations with the Bill & Melinda Gates Foundation

The foundation was enthusiastic and supportive of the Facility and its approved (or joint) agenda. The Facility did experience the replacement of the main FSP liaison person as a dramatic change. When Evelyn Stark replaced Priya Jaisinghani the relationship soured somewhat – communications between the Team Leader and the foundation liaison person became strained, and Facility staff sensed a lack of enthusiasm and time investment from the foundation. This transition occurred more or less at the same time as the foundation changed its strategy to focus on savings, thus leaving microinsurance as an “orphan”. According to Facility management, it is evident that the FSP has moved on to other priorities.

The FSP has been helpful in advancing efforts on health microinsurance through engaging the McKinsey study and providing expertise from the health sector during the structuring of R-4. Also helpful was the communications workshop attended by Jeanna and Sarah in New York City during 2009. Nevertheless the Facility thinks the foundation should become more involved than they are currently, which is mainly communicating by phone calls and attending Steering Committee meetings. The Facility would like the foundation to attend conferences and visit grantees, and in that way become more engaged in the milieu of microinsurance and know where the grantees fit in.

At the end of the foundation grant what is likely to emerge are insights rather than answers. It is going to be difficult to advocate among the FSP without a plan on how and when relevant data will become available. A key challenge is time. The expectation given to the foundation was that insurance would scale quickly, but that has proved to be not realistic. Microinsurance is in its infancy, yet it is more complex than microcredit, and its demonstration effect will take longer. The FSP should consider hiring someone, or a firm, with insurance or preferably microinsurance experience to help the FSP navigate the complexities and to work with grantees on revised plans, milestones and outcomes, as well as generating lessons. It is important for a donor such as the foundation to fund some of the open questions regarding ideal implementation mechanisms and stimulation, while at the same time keep looking at broader, more strategic issues and their leverage potential.

The Facility, through the foundation’s funding, has scratched the surface of the emerging field of microinsurance, at least with those industry players who are committed to meeting critical risk management needs of the poor. Through its clout and power, the foundation can continue to make a significant difference in this arena.

In a field as new as microinsurance, implementing innovation without funding is impossible. The foundation’s grant has been a valuable contribution to microinsurance and a significant step toward providing sustainable ways for the poor to protect themselves and improve their situations. But value, scale and sustainability require more than five years to demonstrate; thus there needs to be a longer time horizon. That is why it is important for the Facility to develop a revised plan.

<u>**FSP Recommendations**</u> **(**I - Immediate, NT = Near Term, LT = Longer Term)

1. I – FSP should work with the Facility towards the possibility of the Facility becoming a Lessons Factory to establish a community of practice with all grantees, regardless of type, to share key learnings.
2. NT – FSP should facilitate systemic support to the Facility with best practice approaches around lessons and dissemination.

3. NT – Recognizing that the FSP has shifted its strategy to savings, there is still a USD 34 million grant that is generating many lessons. It is important that the foundation maintain its attention on the Facility to leverage this investment and ensure that remaining funds are effectively expended on satisfying its key objectives.

Appendix A – Interviews and contacts

Final list of interviewees and contacts

Organization	Country	Type	Method	Interviewed by	Comment
Guy Carpenter	Global	IG	Skype	Rick Koven John Wipf	Original intent was for Rick Koven to visit them, but Rick and John Wipf ended up calling them together.
CARE Foundation	India	IG	In person	Rick Koven	
IFFCO – Tokio	India	IG	In person	Rick Koven	
MNYL	India	IG	In person	Rick Koven	
ILRI	Kenya	IG	In person	John Wipf Kathy Woodliff	
SCC/CIC/NHIF	Kenya	IG	In person	John Wipf Kathy Woodliff	SCC and CIC were interviewed separately. NHIF was not interviewed.
AMUCCS	Mexico	IG	Skype	Barbara Magnoni	
La Positiva	Peru	IG	Skype	Barbara Magnoni	
Pioneer Life	Philippines	IG	In person	Michael McCord	Michael McCord interviewed them but additional feedback was gleaned from Mary Yang who visited them in February 2010.
CIRM	India	ReG Host	In person	Rick Koven	
MIA	India	ReG Host	In person	Rick Koven	
RIMANSI	Philippines	RJ	Skype and email	John Wipf	
Microfinance Center for EE&NIS	EE&NIS	RJ	email	Angela Dirlam	
Microfinance Opportunities	Global	CE	Skype	Kathy Woodliff	
8 other rejected grantees	various	RJ	n/a	Did not respond	Emailed them but they did not respond.

Organization	Country	Type	Method	Interviewed by	Comment
UAB	Burkina Faso	TAG	Skype	Denis Garand	
NACCF	Nepal	TAG	Skype	John Wipf	
Mosleh Ahmed	UK	TAP	Skype	John Wipf	
Eric Gerelle	Switzerland	TAP	Email	John Wipf	
Marc Nabeth	Paris	TAP	Skype	Denis Garand	
Dominic Liber	South Africa	TAP	n/a	Did not respond	
Guillermo Aponte	Bolivia	TAP	Skype	Barbara Magnoni	
Barbara Magnoni	USA	TAP	Email	Self	
John Wipf	Philippines	TAP	-	Self	
Denis Garand	Canada	SC	Skype	Kathy Woodliff	
John Woodall	Switzerland	SC	In person	Kathy Woodliff	
Gaby Ramm	Germany	SC	Skype	Kathy Woodliff	
Brandon Matthews	Switzerland	SC	Skype	Kathy Woodliff	
Kelly Rendek	Canada	Fellow	Skype	John Wipf	Fellowship at PGI, Mongolia
Clemence Tatin	Canada	Fellow	In person	Rick Koven	Fellowship at CIRM, India
Theresa Chen	USA	Fellow	In person	Rick Koven	Fellowship at MIA, India
Hans Ramm, SDC	Germany	Donor	Skype call	Kathy Woodliff	
IIE	USA	Outso urce	Skype call	Kathy Woodliff	
EUDN	UK	Resea rch head	In person	Barbara Magnoni	

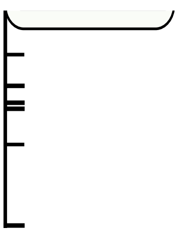
- IG – Innovations Grantee
- ReG – Research Grantee
- RJ – Reject Grantee
- TAP – Technical Assistance Provider
- CE – Consumer Education
- TAG – Technical Assistance Grantee
- SC – Steering Committee

Appendix B – Facility Management, Staff and ILO supplement

Three Dimensional Organizational Structure of the Facility

Geographic	Thematic	Functional
Latin America: Miguel*, Caroline and Sarah **Francophone Africa**: Caroline*, Michal (and Yoseph) **Anglophone Africa**: Virginia*, Michal (and Yoseph) **Indian subcontinent**: Pranav*, Jeanna **Other Asia**: Mary*, Jasmine, Pranav **MENA**: Jeanna*	**Health:** Jeanna*, Caroline **Agriculture:** Pranav*, Jeanna, (Yoseph) **Life and pensions**: Mary*, Miguel **Remittance-linked**: Caroline*, Miguel, Michal **Distribution:** Pranav*, Michal **Consumer ed:** Sarah*, Michal **Technology:** Pranav*, (Yoseph) **Performance indicators**: Caroline*, Miguel	**Innovation Grants:** Jeanna* et al **Capacity building**: Mary*, Miguel and Caroline **Research**: Michal*, Grant Managers, Jasmine **Communication**: Sarah*, Jasmine, Beatrice **Administration**: Heather*, Beatrice

Organization Chart of the ILO's Microinsurance Innovation Facility



* Indicates Team Leader

Appendix C – Innovation Grants supplement

Table 1: Innovation Grantees by Region and Type of Project

	Africa	Latin America/ Caribbean	India	Other Asia	Other
Institutional models	SCC/CIC/NHIF (Kenya) Old Mutual (South Africa)	La Positiva (Peru) AMUCCS (Mexico) Seguros Argos (Mexico) Protecta (Peru) Zurich (Brazil)	PWDS (India)	Pioneer Life (Philippines) Radol (Bangladesh)	
Health	CIDR/UMSGF (Guinea) CERMES (West Africa)		Calcutta Kids (India) VimoSEWA (India) Care Foundation (India) SSP (India)		Microfund for Women (Jordan)
Property / Agriculture	Hollard (South Africa) Planet Guarantee (Mali) ILRI (Kenya)		People Mutuals (India) IFFCO-Tokio (India) WRMS (India)	DID/SICL (Sri Lanka)	
Life /Accident	UAB (Burkina Faso)	AIC (Haiti) Seguros Futuro (El Salvador)	ICICI Prudential (India) Max New York Life (India)	PICC (China) Prime General Insurance (Mongolia)	
Consumer education	Microfinance Opportunities/AKI (Kenya)	CNSEG (Brazil) Fundaseg* (Colombia)			Freedom from Hunger (Global)
Other			CIRM (India)		Guy Carpenter (Global)

Table 2: Innovation Grantees by Institutional Type

	NGO/Cooperative/ Mutual/Labour Union	Insurance Company	Insurance Association	Other
Single grantee	PWDS (India) Calcutta Kids (India) VimoSEWA (India) Care Foundation (India) SSP (India) AMUCCS (Mexico) People Mutuals (India) Freedom from Hunger (Global)	La Positiva (Peru) Seguros Argos (Mexico) Protecta (Peru) Zurich Brazil Pioneer Life (Philippines) Old Mutual (South Africa) IFFCO-Tokio (India) AIC (Haiti) Seguros Futuro (El Salvador) ICICI Prudential (India) Max New York Life (India) PICC (China) Prime General Insurance (Mongolia) UAB (Burkina Faso) Hollard (South Africa)	CNSEG (Brazil) Fundaseg (Colombia)	CERMES (West Africa) WRMS (India) Guy Carpenter (Global) CIRM (India) ILRI (Kenya) Planet Guarantee (Mali)
Consortia	Microfund for Women (Jordan)/Women's World Banking CIDR/UMSGF (Guinea) Radol (Bangladesh) plus 5 NGOs	SCC/CIC/NHIF (Kenya) DID/SICL (Sri Lanka)	Microfinance Opportunities/ AKI (Kenya)	

Table 3: Types of Innovation Grantees Interviewed

Location	Innovation description	Category	Portability of innovation to other markets
Global	Reinsurance specialist designing deals to transfer primary microinsurance risk to reinsurers. Risk transfer will increase primary insurers' capacity and stimulate an appetite for alternate types of microinsurance products.	Reinsurance	Global
India	Revolutionary technology and partnerships enabling provision of outpatient services to remote Indian villages. The technology allows for remote collection of data, recording transactions, policy issue on the spot, remote diagnosis of patients and advice on treatment, (telemedicine), etc.	Technology Health	Likely portable exported to Tanzania
India	Microchip inserted in insured livestock to eliminate fraud, thus reducing cost of livestock cover.	Technology Livestock	Seems highly portable
India	Using mobile technology to reduce cost of retailing paid-up life insurance on a voluntary basis.	Technology Distribution	Portable with some adaptation
Kenya	Cooperative insurance company in a public private partnership with government health insurance fund, offering a composite product (funeral, accident, health) to various informal sectors across Kenya.	Distribution Health PPP	May be portable to other countries esp. those with public health insurance programmes (e.g. Ghana, Philippines)
Kenya	Index-based livestock insurance – Satellite technology used to monitor forage levels, which is used as a proxy (index) for livestock mortality due resulting from drought.	Technology Livestock	Too early to tell but seems highly portable
Mexico	Creation of a network of MFIs, which drives product development from a demand perspective rather than from the traditional supply perspective and enables more efficient distribution of microinsurance in rural areas of Mexico.	Distribution Improved product	Somewhat portable to similar situation
Peru	Innovative distribution of insurance products to farmers through rural irrigation distribution system.	Distribution	Somewhat portable to similar situation
Philippines	Devising consumer education methodologies and tools to promote savings and insurance to families of overseas workers.	Consumer education	Somewhat portable to countries with overseas workers

Note: Innovations of the remaining 28 grantees were not examined.

Table 4: Guy Carpenter (Global) – Reinsurance / Risk transfer

Guy Carpenter (Global) – Reinsurance / Risk transfer USD 250,000 – to develop global micro reinsurance facility. Started Jan 2009	
Scalability	• There is a global demand for reinsurance, especially catastrophe cover • Each deal/package that it puts together may be unique; may or may not be scalable
Sustainability	• Overall unclear as the project is just getting underway. • Individual deals can be designed and priced to be profitable. • Surprised at the lack of demand for reinsurance in the market, this has been interpreted as a lack of risk management expertise.
Product value	• Potential to increase capacity of primary insurers who are expected to increase and diversify their microinsurance portfolios. • Performance: has only put together one deal so far (key staff left, challenge of seeming lack of demand, complexity of microinsurance). • GC doesn't monitor the ultimate value effect on the insured.
Protecting savings and assets	• Yes, as reinsurance is for all types of microinsurance products.

Table 5: Care Foundation consortium (India) – Health, technology

Care Foundation consortium (India) – Health, technology USD 450,000 – to provide rural primary health, using new technology. Started June 2009	
Scalability	• High potential to scale across India and other countries when fully developed.
Sustainability	• Expect to lose money for three to four years at least. Open ended questions remain: • Will distribution work? • Will it be affordable (there is a lack of reliable experience data for pricing)? • Can adverse selection and moral hazard be managed? • Will renewal rate be high enough? • Will the product and organization be trusted (they voiced that concern)? • As the market becomes aware of the INR 3000 (USD 66) OP limit, will that spur over utilization for consumers that are close to the limit?
Product value	• Health is in high demand. • Value for money- it is much too early to tell. • Coverage is low at INR 3000 (USD 66).
Protecting savings and assets	• Health insurance protects against the need to consume savings and assets when money for treatment is needed.

Table 6: IFFCO - Tokio (India) – Technology, livestock

IFFCO - Tokio (India) – Technology, livestock **USD 117,900 – innovative approach to livestock cover with RFID chip. Started Sep 2009**	
Scalability	• With millions of cooperative livestock owners, the technology and product is scalable across India.
Sustainability	Open ended questions remain: • Will the distribution strategy work? • Will the technology really eliminate fraud and lower cost?
Product value	• It is relatively expensive to tag the animals. • The coverage is highly relevant
Protecting savings and assets	• Yes, livestock is a main asset of the target market

Table 7: Max New York Life Limited (India) – Technology, distribution, savings

Max New York Life Limited (India) – Technology, distribution, savings **USD 400,000 – life insurance through savings, cost reduction through technology. Started Feb 2009**	
Scalability	• Yes; target market segment is 115 million Indians with Rs 5-10k monthly income • Technology and small retailers that it uses for distribution are all over India
Sustainability	• Breakeven point requires 5-6 million policies sold • May be vulnerable to adverse selection since consumer can “top up” coverage at any time (not sure if there are elimination periods for each new coverage, or a new health declaration)
Product value	• Questionable; not clear whether or not product was designed based on market research • No value indicators are being calculated • Controlling cost is a challenge; engaged a high profile Bollywood star for promotion (interviewee reluctant to share details) • Aim is 5-6% profit margin, commission is 10% for initial sale, admin and transaction costs are unknown
Protecting savings and assets	• Yes

Table 8: ILRI (Kenya) – Technology, livestock

ILRI (Kenya) – Technology, livestock USD 205,000 – to develop indexed based livestock cover. Started Jan 2010	
Scalability	• Yes, wherever there is a livestock sector
Sustainability	• Too early to tell; programme was just launched and is in experimental stages • Questionable whether this product will work in high incidence drought areas as households weigh economic options of paying premium cost versus savings
Product value	• Too early to tell; depends on the final pricing which will vary by region
Protecting savings and assets	• Yes as livestock is the main asset of the target market

Table 9: SCC / CIC (Kenya) – Distribution, health, public-private partnership

SCC / CIC (Kenya) – Distribution, health, public-private partnership USD 373,712 – Life & health product through life insurer and public health provider. Started Aug 2008	
Scalability	• Target market is the entire informal sector of Kenya
Sustainability	• CIC is sustainable; not yet sure about this product. • Struggling with distribution through existing CIC and NHIF branches, and through SACCOs. • 30% renewal rate (very low, not sustainable). • Access problem due to the annual premium.
Product value	• Accident and funeral components are poor value (15% claims ratio). • Health component is better with claims ratio at 70% (NHIF has the data; CIC doesn't). • Investing heavily in consumer education (booklet, radio).
Protecting savings and assets	• Not directly savings and assets, but with funeral and health insurance, there is a reduced need to consume savings and assets when money for treatment or burial is needed.

Table 10: AMUCCS (Mexico) – Distribution, improved product value

AMUCCS (Mexico) – Distribution, improved product value **USD 369,000 – to create an innovative distribution network. Started Oct 2008**	
Scalability	• The model is scalable to the extent that the microfinance sector expands in Mexico, and possibly to other similar networks in the country (e.g. credit cooperatives). • Confident to reach scale as there is a systematic approach to building a network.
Sustainability	• High probability of sustainability if the entire network participates. • Early experience: low renewal rate (~20%). • Have developed a business plan.
Product value	• Improves product value as the design is now driven from demand side. However, now that there is an intermediary, the product potentially comes at a higher or lower cost... depending on the overall effect of introducing the intermediary into the cost structure
Protecting savings and assets	• Not directly savings and assets; potentially it could distribute such a product as an add-on. By insuring the life of the person the savings and assets of the household are protected.

Table 11: La Positiva (Peru) – Distribution, improved product value

La Positiva (Peru) – Distribution, improved product value **USD 469,000 – for baseline study of clients in agriculture sector followed by new product and distribution.** **Started Sep 2008**	
Scalability	• Within Peru, 1.6 million farmers get water for irrigation from Ministry of Agriculture. • Model is transferable to similar utility distribution networks in Peru and other countries.
Sustainability	• Struggling with realizing that their target market is older than they initially assumed (pricing). • Were aiming to tack premium onto monthly water bills of farmers, not realizing that the majority of them pay annually or biannually; for the latter groups the premium seems very high so they have problems with selling it to them.
Product value	• Not sure of the real value just yet, but given the slow uptake, market is not seeing value. • Are going to add some tangible benefits – provide a card which allows such benefits as discounts at pharmacies and agricultural supply stores as well as free medical advice through a 1 (800) number.
Protecting savings and assets	• Not directly, but by insuring the life of the person the savings and assets of the household are protected.

Table 12: Pioneer Life (Philippines) – Consumer education, distribution, savings product

Pioneer Life (Philippines) – Consumer education, distribution, savings product USD 95,000 –Started in Oct 2009	
Scalability	• The products and approaches/tools for effective consumer education are potentially scalable across the entire overseas workers market in Philippines and to an undetermined extent, in other countries.
Sustainability	• Too early to tell; the project is just starting and is still in a pilot stage. • May be targeting the wrong end of the market; should consider focusing on the remitter rather than the receiver in the household. The receiver at home is more inclined to spend, satisfying the pent-up needs. The earner abroad is more concerned with building up savings so that the household gets ahead and he/she can go home.
Product value	• Too early to tell; the Facility should ensure that it uses KPI from the beginning. • Investing heavily and making excellent inroads in consumer education.
Protecting savings and assets	• Yes.

Table 13: Implementation challenges

Summary responses of grantees with respect to implementation challenges	
Guy Carpenter (Global)	• The most unexpected and shocking finding was the low demand for reinsurance in the market due to the seeming lack of awareness for the need of risk management. The market needs to be educated about risk management. • Reinsurers in some countries such as India are conducting business with non-regulated risk-bearing entities such as banks by working around regulatory issues. GC is surprised at the degree and tolerance of self-insurance in a number of countries, which creates a challenge for them as this market segment is more difficult to access and work with.
CARE Foundation (India)	• They are concerned that consumer confidence will dampen uptake. • They are experiencing project delays for various reasons. **Open questions and comments:** • Will uptake be sufficient for sustainability? • How will they prevent over utilization? • Their technology is not yet complete and is a bit of a black hole. • Lack of insurance knowledge within the organization will likely be a significant future issue.
IFFCO – Tokio (India)	• Literacy and awareness is very low among clients. • Huge geographical and spatial distribution of clients. • Problem is the established practice of fraudulent behavior.

Summary responses of grantees with respect to implementation challenges	
	Open questions and comments: They don't seem sure how to collect the premium upon renewal
MNYL (India)	• Has some problems with controlling cost; related to that, they have engaged a Bollywood mega-star for promotion.
ILRI (Kenya)	• ILRI is concerned with the high cost of educating an illiterate target market situated in the remote and sparsely populated pilot area of Marsabit in northern Kenya. **Open questions and comments**: • The uptake of their product in areas with high drought incidence is unknown. For example, the household may prefer to save instead of paying a very high premium for an event that happens every 3-5 years (competing economic options for the household).
SCC/CIC/NHIF (Kenya)	• Sales through the existing branches of CIC are not taking off as expected. The current contract stipulates that only CIC perform the sales function – SCC wants to change it to allow NHIF to perform sales as well as they have more branches and sales people. CIC is concerned that NHIF will not remit their portion of the premium. • With penetration / growth much slower than projected there does not seem to be any other alternative but to conduct a massive (and expensive) market education campaign. • Low renewal rate (30%) indicates low level of satisfaction and ineffective distribution.
AMUCCS (Mexico)	• A massive struggle with consumer awareness and doesn't seem to have a clear strategy on how to overcome it. • The target market is highly dispersed and remote (as far as 10 hours to get to from Mexico City). • They are experiencing moral hazard and low renewal rates indicating dissatisfaction.
La Positiva (Peru)	• Consumer education is challenging and much more expensive than anticipated. • Target market does not see value in the product. • It misunderstood the actual water bill payment pattern of farmers; few pay monthly as originally assumed, and this makes it much more difficult to piggyback on that collection system (which represents the innovation). • The target population is older than they assumed; higher proportion of farmers over 65 than anticipated.
Pioneer Life (Philippines)	• Early on, is surprised at the difficulty of educating the target market.

Table 14: Specific responses of grantees with respect to adequacy and timeliness of funding

Specific responses of grantees with respect to adequacy and timeliness of funding	
Guy Carpenter (Global)	• Without foundation funding, its management would not have approved a micro-reinsurance project.
CARE Foundation (India)	• USD450k was granted; the project is projected to cost USD600k. • Would like more money for insurance literacy and developing the technology. • Cash flows affected as the Facility were not disbursed on time (due to delay of the milestones) which caused some headaches. • Would like Facility to fund more than 75%.
IFFCO – Tokio (India)	• Would have done the project without Facility funding. • More funding would have helped them do more pilots and ramp up faster.
MNYL (India)	• Grant money is immaterial (USD300,000); they spent USD10 million so far. • They applied for the grant because of the prestige that comes with it. • Also helped with internal confidence and credibility with senior management.
ILRI (Kenya)	• Enough to meet your goals? Yes, appears to be the case although it is a bit early to tell. • Facility added extra USD10,000 to travel for CIRM to facilitate a workshop. • Timely? We haven't sent any money yet (which is partly ILRI fault). • Received permission from the Facility to spend the funds ahead of time.
SCC/CIC/NHIF (Kenya)	• CIC had already been experimenting in the microinsurance market (outside their traditional cooperative market) and were determined to succeed in the long run no matter what, since this is their mission. • Initially thought it was too much money, now realize that it is not enough to conduct the required market consumer education. • Are spending a lot of their own money for media campaign (radio works well for them), but it's a capital strain.
AMUCCS (Mexico)	• Without Facility money, they would have found other funding options. • Enough funding for this project and it has been timely enough.
La Positiva (Peru)	• Would not have done it without the grant. • There is not enough money to train the trainers that needs to be done.
Pioneer Life (Philippines)	**R&D project manager's comments:** • On the need for the grant – the board had already approved the budget before the grant was made – did not "need" the money; however, it helps "to be more aggressive" in trying new things and adjustments. He sometimes has a hard time with his finance director, and the grant allows him to do things he thinks are necessary but which the finance director might not fund. This freedom, he says, has been very important. It gets the finance manager 'off his back'. • The grant funds just one innovation of six that are under his control. All are being piloted with the hope that at least a few will become profitable (says the CEO). There is clear pressure on the team to speed up the expansion and get to profitability. Team is way behind targets. The board

Specific responses of grantees with respect to adequacy and timeliness of funding	
	agrees to give the team five years to break even (including all expenditures from inception).

Table 15: Interaction with the Facility

Interaction with the Facility	
Guy Carpenter (Global)	
Facility	• No problems with how Facility services GC. • Facility referred some contacts to GC. • Does not meddle in internal process of GC, but more creative involvement and interaction is desired.
Care Foundation (India)	
Facility	• They were wonderfully helpful. • Application process was difficult, especially the learning agenda part. • Process took nine months (too long) – due diligence should have been quicker; and issue of risk taker should have been resolved sooner. • Would like to see monthly updates in writing in addition to the calls. • Lots of feedback and support with the Facility. • Appreciate access to their contacts like SEWA and FFW. • Cash flow issues with disbursements – should not be tied to reporting milestones. • Need flexibility to make adjustments between line items in the budget. • Getting pressure to launch, but has internal milestones to meet first.
IFFCO – Tokio (India)	
Facility	• Easy to apply for grant. • Research protocols are cumbersome. • Would have liked to have TA with experience in livestock insurance.
Max New York Life (India)	
Facility	• Easy to apply for grant. • Cumbersome reporting requirements on research protocols (not used to). • Seems like information flow is one way. Not getting anything back from Facility. • Would like more exposure to other grantees.
ILRI (Kenya)	
Facility	• Grant application process quite rigorous – came back several times and called other partners. • During the process staff were responsive and cordial. • Process was transparent and the right level of information requested. • The hardest part is the learning agenda. • It will be important for them to be able to switch categories (line items) in the budget.
SCC/CIC/NHIF (Kenya)	
Facility	• The process was easy. • Would like to see a renewal process rather than a re-apply process.
AMUCCS (Mexico)	
Facility	• Great flexibility. Able to focus on innovation, not just meeting deadlines and milestones like other donors. • Process was a dream, and there was a lot of interaction. • Think the process has gotten more complicated and harder to qualify after R-1. • Jose was expert in insurance and able to add value. Miguel has added less value – less knowledgeable. • Wish there were more Spanish-speaking staff at the facility.

Interaction with the Facility	
La Positiva (Peru)	
Facility	• Application process was easy. • Used to have frequent discussions with José. Miguel is busier and his time is limited.
Pioneer Life (Philippines)	
Facility	• Application process was not a problem – easier than expected. • Approval process extremely quick. • Some challenges with the learning agenda. • Doesn’t want implementation staff distracted by completing lessons reports.

Appendix D – CCB Programme Supplementary Information

The 2009 Annual Report portrayed the TA programme as performing well in relation to the milestones defined in the original proposal to the foundation and in the project plan. Since enumerating and describing the accomplishments of the programme is not a primary objective of this report, we present only a brief summary for convenience.

Project Plan Highlights

Milestones and targets	Actual results
Select TA providers: • 2008 – at least 8 selected • 2009 – 4 more in proposal, 5-10 in project plan	Roster of 50 individuals and 12 institutions were designated in 2008, 11 more in 2009.
Select TA mentors – 2 in 2008	Reformulated; all TA providers can now be mentors
Disburse TA grants: • 2008 – 5 • 2009 – 15 in proposal, 25 in project plan	• 2008 – 5 • 2009 – 21
Develop TA interns (Fellows) • 2008 – none • 2009 – 5 in proposal, 10 in project plan	• 2008 – one Fellow placed • 2009 – 13 Fellows placed, one completed, 4 prematurely terminated (failures), 12 more in the pipeline • Joint Missions – 3 in 2008, 20 in 2009
Develop 2 TA/Management tools	• Tools inventory completed • 3 tools completed • 6 tools in progress
1 to 2 TA workshops in 2009	• Introduction to microinsurance workshop conducted in Kenya • Estonia day event for actuaries • Hyderabad workshop + field visit

In addition to these results the Facility also reported a number of other accomplishments related to strengthening the programme, including:

- Launched a beta version of an online database of TAPs and their evaluations.
- Developed an information booklet for Fellows, Hosts and Mentors plus, with the help of IIE, assembled an orientation packet, to prepare Fellows before they begin their assignments.
- Refined the evaluation form for TAPs.
- Formalized strategic partnerships with CIRM in India and IEP in Latin America.
- Developed a community of practice for TAPs (news e-mails, conference calls), and a consultants' forum at the annual microinsurance conference. Calls were found to be not valuable to consultants and have been discontinued.[17]

[17] Consultant's suggestions being considered are: 1. Engaging multiple consultants on a single assignment to help network building and exchange of ideas; 2. A workshop or round-table in between annual microinsurance conferences.

- Formalized strategic partnership with the International Actuarial Association's Actuaries Without Borders to engage actuaries in the microinsurance space and to facilitate access of developing markets to actuarial services.

For more detail, the reader is referred to the Facility's annual and progress reports.

Interview questions and results

TA provider (TAP) interviews (6):

1. Are the microinsurance programmes that you support through the CCB trending towards SUSTAINABLITY? Is there a good POTENTIAL to scale up?

   - For the most part the TAPs felt that there is good potential in the supported programmes. However their answer was qualified in that they said future success depended on many factors, especially good management.
   - One programme is still in start-up mode but it is being designed and priced to be sustainable and scalable.
   - Only one of the six felt that the Facility should support projects with better potential (i.e. only one in six indicating that some of the choices in the past have not been good).Five of the six TAPs promoted key performance indicators (KPI) to measure outreach and client satisfaction performance. Only one was concerned with monitoring solvency and liquidity to ensure sustainability.

2. Do the microinsurance programmes that you support through the CCB provide VALUABLE microinsurance services (which cover relevant risks, provide good value for money, have minimal exclusions, are easy to understand, designs product based on market research, and have affordable premium financing schemes)?

   - All TAP-supported programmes are providing life, endowment/pensions, and accident products, some with limited health supplementary riders. None of them were working with purely health insurance programmes.
   - All of the programmes supported provide products based on market research.
   - All but one of them promotes KPI as an important management tool and to monitor value. That one thought that KPI "are just a smokescreen; future success won't be attributable to monitoring KPI but as a result of superior IT systems."

3. What are the main challenges you face in providing TA services?

   - Language and cultural barriers mostly – it is difficult to work through translators. One TAP felt that the Facility could do more in the way of preparing and orienting the TA grantee as this would save valuable time and result in better cooperation and productivity.
   - Regulatory obstacles are a big challenge to most– some felt that the Facility should do more lobbying in countries where it has projects.[18]
   - For most insurers, corporate culture and politics hinders buy-in on implementing microinsurance successfully.

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[18] But this falls under the mandate of A2II led by GTZ and IAIS

4. How do the expected outcomes of projects typically compare to actual outcomes?

- Too early to tell in most cases. But in general, expected outcomes are overly optimistic and not realistic enough. This may indicate that more counselling is needed to assist TA grantees with preparing more realistic Terms of Reference and project plans.

5. How would you compare the objectives of the TA grantees with those of FSP and Facility objectives?

- For the most part, the objectives are aligned with those of the Facility and FSP and are optimum for the grantee and its target market.
- Only one TAP felt that objectives had been reshaped to comply with conditions of the grant.
- Another TAP felt that objectives were based on political correctness.

6. What's it like to work with the Facility?

- All felt that the administration and reporting requirements were very reasonable and easier to comply with compared to other donors. As such, it is easier to work with the Facility than with other donors.
- Payment is a bit too slow because it is routed through the grantee.
- Spanish speaking TAPs had real problems since the death of José; more Spanish speaking support staff are needed at the Facility.
- CCB officers are very responsive and supportive.

7. Is there truly a demand for TA? Was the TAP able to provide value for money? Is the TAP likely to be contracted again in the future?

- All felt that paying a counterpart is a good idea. However, getting the grantee to pay is generally not easy due to internal bureaucracy and the process. One TAP had to translate the TAP contract to Spanish before getting paid. In some cases local taxes are withheld unless there is a tax credit to offset taxation in the TAP's own country, which results in double taxation. In at least one case, even the reimbursement for the consultant's direct expenses was taxed. Since money is routed through the TA grantee, the TAP generally bears the burden of foreign exchange, banking charges, double taxation, and lengthy delays – and TAP costs are incurred well before the payment, which requires TAP to fund their expenses in order to provide their services.
- Some grantees felt that the TAP was very expensive.
- At least two of the six TAPs felt that there is an apprehension and distrust of consultants in general, but they were able to overcome it by providing valuable services, establishing trust, and cultivating the relationship.
- All felt they would be re-engaged if the grantee were able to source external funding. Two of them worked for insurers and were confident that they could be re-engaged without the need for donor funding.

8. Are the grant amounts adequate?

- The consensus was that the grants are usually large enough to achieve a small step forward in the overall capacity-building requirements of the organization, but that more support is needed to ensure success. Some said that providing support for just one forward step is sometimes a waste of resources if a programme is not able to get off the ground without further support.

9. Are the lessons you learn and the tools you develop shared with the Facility and disseminated?

- Lessons are always shared with the Facility but there is no indication that these are being disseminated.
- Tools are developed. In some cases the TAP refuses to share the tools as these are felt to be proprietary. Others share their tools with colleagues. One TAP has an actuarial projection and business planning tool but feels that it would need a great deal of work to make if user-friendly enough for dissemination.

TA grantees (TAG) interviews (2):

Only two TA grantees (TAG) were interviewed, through Skype. Clearly, this sample should have been larger, but unfortunately time did not permit this. TAG A had received two TA grants to start up a credit life programme but the product had not yet been launched. TAG B offers a savings product to market vendors, which contains an element of accidental death cover (an endowment product with less than one year duration, only paid out if cause of death is limited to an accident). This programme is more advanced but is still in a pilot stage.

It is too early to assess product performance and potential for both of these programmes. TAG B was positive on all aspects of dealing with the Facility and rated the quality and the value of the TA highly. TAG A offered this mixed feedback:

- The process of applying for TA was too lengthy.
- The grant officers are very accessible and helpful.
- The payments were much too slow.
- Exchange rates were unfair; they lost money. (Our comment: It could have been the other way as well, i.e. they could have experienced exchange gains. The TAG would prefer that Facility take the exchange risk but we do not recommend this.)
- Time allowed to produce their report was too short. (Our comment: The consultant produced the main report, but they had had to prepare a summary report of the market research conducted).
- Overall, the TA was a great help. TAG A would like to apply for longer term TA in R4 in order to launch the planned microinsurance programme.

Fellow interviews (3):

1. Relationship with the host:

Two of three Fellows received less than adequate support from the host compared to what was outlined in the Roles and Responsibilities section of the Fellowship booklet. Much of this support related to events after the fellow's arrival – for example, assisting with locating suitable housing.

One of the Fellows terminated her tenure early because of conflict that arose between her and the host. She felt she was underutilized and treated like a junior staff member. Although she is an experienced and effective actuarial consultant with a desire to focus on microinsurance, she was not allowed to take the lead in executing her work plan. She was frustrated that the Facility did not mediate. The Facility is well aware of the details of this case as it held exit interviews with the host, fellow, and the mentor.

2. Relationship with the mentor:

All Fellows felt that their mentors were supportive and responsive but they all expected more than that. In the early termination case just mentioned, the mentor had a business relationship with the host and hence there was a conflict of interest that prevented the mentor from advocating the Fellow's point of view to the host. A second Fellow felt that the mentor could have been more proactive in helping her mitigate some of the difficulties in executing her work plan.

3. Implementation of TA:

Aside from the early-termination Fellow, the other two Fellows also experienced challenges in executing their work plan:

- One Fellow was struggling with getting the CEO of the host, a commercial insurance company, to take microinsurance seriously. This after the host won an innovations grant!
- The other Fellow works for a consulting firm and is struggling to deal with a difficult client as she tries to implement a health insurance programme.

4. How would you compare the objectives of your work/the host with those of FSP and Facility objectives?

The objectives are congruent.

5. What's it like to work with the Facility?

- There was nothing but praise for the programme officers.
- Sometimes it is awkward to be part of both the Facility and the host.
- Facility should do more for post-fellowship job placement.
- More follow-up is needed with the host to generate feedback on Fellows' performance.

6. General input:

- The experience is too isolating: the Facility should do more to connect fellowship groups to each other for more interaction.
- The Cartagena and Dakar microinsurance conferences were great learning experiences – and more like these is needed.

Host interviews (2):

There was time for only two host interviews; each of them was a host of a Fellow interviewed above.

Host A:

- The fellowship programme is a very effective way to build their capacity.

- Suggestion: give the Fellow more exposure to other Fellows and other projects.

Host B (early termination case):

- The fellowship programme is great.
- The Facility's processes for this programme are supportive and constructive.
- The fellow concerned was antagonistic to being given direction, and wanted to run the show.
- Host will look for another Fellow.

IIE interview

The IIE administers the Fellows programme – travel, visas, stipends, and all administration arrangements. They also collect reports from Fellows and communicate with them. In addition, they are playing an informal advisory role with the CCB Manager. Some comments from the IIE:

- There were problems at first with the candidate selection process, but the Facility is getting better at this. They probably also need to look at getting better at skill and behavior matching.
- There were problems with the ILO – it took nine months to reconcile invoices to get the approvals so that IIE could get paid.
- There was a good partnership between the Facility and IIE in structuring the programme, and the Facility leaned heavily on the IIE for their expertise. The IIE found the CCB Manager to be flexible and open to ideas.
- The IIE has not seen the critical success factors, and does not know what the measures of success are.
- The CCB Manager is too personally involved. As the programme gets bigger this will be difficult. She is currently delegating some of the functions to other CCB staff, which adds confusion and slows down or stalls the process, as they don't totally understand the programme. The CCB Manager is in communication with the Fellows all the time, which is not sustainable. Because of this hand-holding, the Fellows don't know to come to the IIE and they don't utilize the mentors. The responsibility needs to be spread to the proper people. Too much access to the sponsor leads to informality, so that the Fellows may not take the programme as seriously as they should.
- Related to the above is an inherent conflict. If the CCB Manager interviews the Fellow and matches him or her to the insurance organization and it doesn't work out, whom does she side with? If a third party organization conducted the interviews it would be more objective and the Fellow and/or grantee would not take it personally.
- The programme is getting more complicated and before the next round the Facility should standardize things, streamline and delegate.
- *The Fellowship Handbook* needs to be completed and updated according to the programme changes that have been made. This would be helpful for the host organization, for IIE, Fellows and the Facility. It would also enable The CCB Manager to be more hands-off. Since the handbook is so large, perhaps a streamlined version or executive summary should be added.
- It may be beneficial for the IIE to handle the application process, selection process and selection criteria (based on input from the CCB Manager). The IIE has documented best practices, and this is their specialty.

Appendix E – Research and Dissemination Supplement

Bottlenecks in the production and dissemination of lessons at the Facility

Appendix F – Steering Committee

Requirements	**Capabilities of current members**	**Notes**
Current committee profile		
Facility leadership	Yes	
Actuary	Yes	
Health Insurance Operations	Yes	
Mutual/Cooperative Background	Yes	
Reinsurance expert	Yes	
Distribution expert	Yes	
Social protection expert	Yes	May be over-represented
Profile of members to be added		
Independent leadership	No	Need to recruit outside chair
Insurance technology expert	No	
Consumer education expert	No	